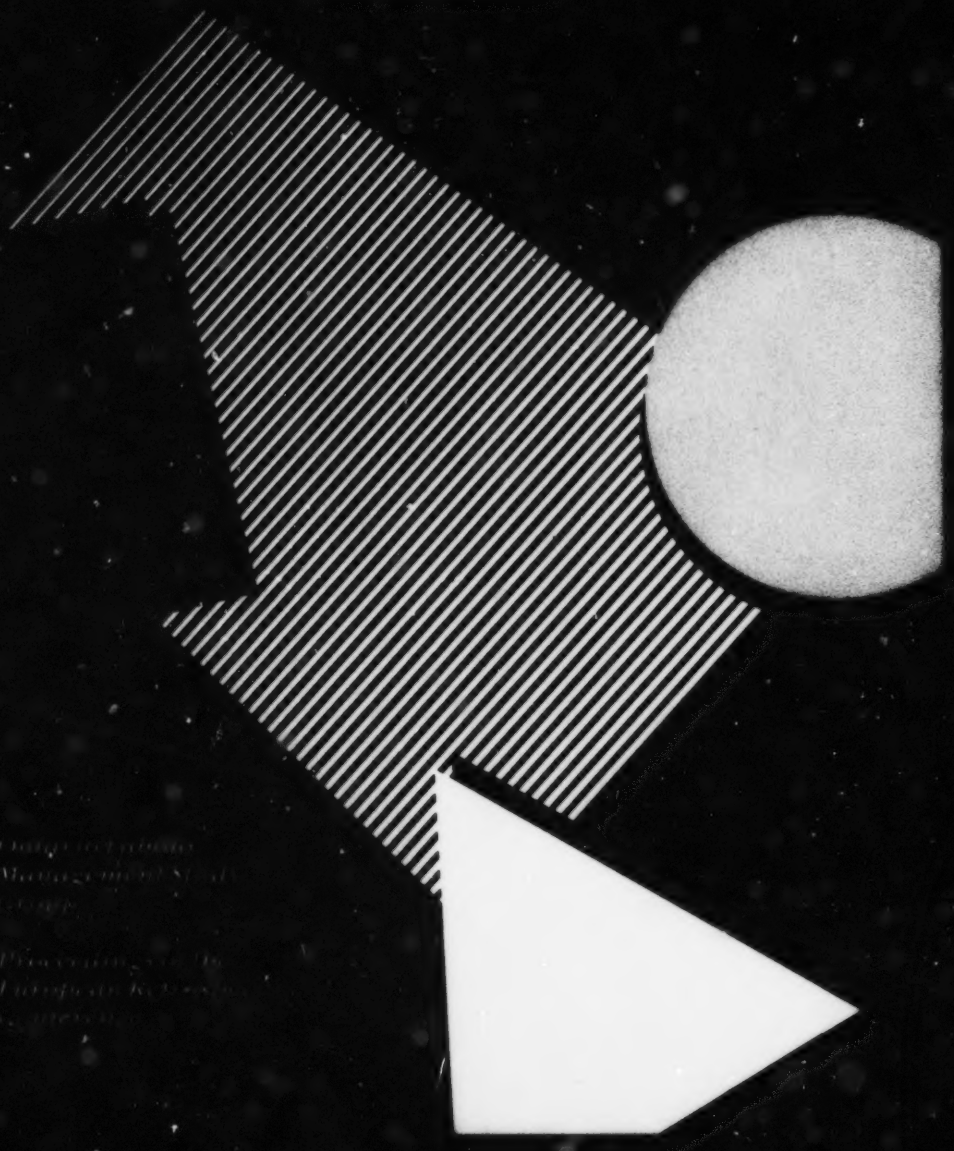
The Search for **Common Ground**

Perspectives on Labour-Management-Government Consultation



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The Search for
Common Ground

Perspectives on Labour-Management-Government Consultation

Proceedings of the European Retrospective Conference of the Ontario Labour Management Study Group held at Niagara-on-the-Lake, 14 & 15 October 1984

Published by the Ontario Ministry of Labour 1985

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ISBN 0-7729-0215-1

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Prologue

"... our cupboard of history is awfully bare of precedents showing consensus is the Canadian way of making things happen."

1984–*The Year in Review*, The Financial Post, December 29, 1984.

It is difficult to quarrel with the Financial Post's sombre judgement. Despite the recent rhetoric about the need for consensual arrangements, harmonization, concerted activities, collaboration, and so on, the major institutions in Canada continue to be resistant to fundamental change. Furthermore, Canada is generally regarded as having one of the most conflictual and adversarial environments for industrial relations among the western nations.

This publication deals, in part, with some of the issues which lie beneath our adversarial traditions. For two days in October 1984, the Ontario Labour Management Study Group met in Niagara-on-the-Lake to wrestle with these issues. The following pages contain an edited transcript of what took place. As will be apparent, the discussions were not rigidly structured. The participants were given free reign to express their views. The range of attitudes and opinions was as broad as the topics under discussion.

What follows is an authentic record of the spontaneous and candid deliberations of a senior labour/management/government group, grappling with some of the key economic and social problems facing an industrial community in transition. As the discussion developed, the emphasis shifted to focus on how consultation can aid in the formulation of more efficient and equitable policies and practices in the areas of competition, wage determination, productivity, international trade, and related matters.

Much has been written on this topic. Indeed, the case for improved consultative mechanisms is a dominating theme in a growing body of popular economic and organizational development literature. Robert Reich's *The Next American Frontier*, Thomas Peters's and Robert Waterman Jr.'s *In Search of Excellence*, Robert C. Christopher's *The Japanese Mind*, all recent best sellers, are three prominent examples. In the political arena, the perceived need for improved consultative arrangements transcends ideological differences and political philosophies. It has been a major theme in many of the new federal government's

early pronouncements, with a consultative summit involving business, labour, both levels of government, consumer groups and others planned for March of 1985. Leading U.S. political leaders — Senators Bradley and Hart, Congressman Gebhardt, Governors Dukakis and Hunt, and others — characterize it as an absolute precondition to successful adaptation and growth in the new, post-industrial, high technology international marketplace in which we all must compete.

Since 1978, the Ontario Labour Management Study Group (previously the Quality of Working Life Advisory Committee) has attempted to probe the potential for greater labour/management/government co-operation and dialogue. Appendix I to this volume contains a brief history of the Group's activities, as well as its membership. The event in October 1984, recorded in the following pages, represents an attempt to focus on the major "process" issues essential for effective consultation. The occasion for doing so was a retrospective analysis of a study tour undertaken by the Group in 1983 to Sweden, the Federal Republic of Germany and Austria to examine consultative arrangements through which labour, management and government in those countries work together to identify, analyse and respond to economic and social problems, and to examine policies for the promotion of economic recovery in those jurisdictions. The Group was joined at Niagara-on-the-Lake by two European, one American and one Canadian guest speakers, and their presentations served as the springboard for a wide-ranging discussion leading to the final commentaries by selected committee members.

No summary can do justice to the edited transcript which follows. Indeed, the transcript cannot adequately convey the spirited nature of the discussion — the alternating expressions of concern, skepticism, hope, humour and passion — which informed the event itself. However, at the risk of oversimplification, a number of critical points were made that are worth summarizing as a guide to what follows.

- There was general agreement about the inevitability of some measure of conflict between the social and labour market parties in any democratic, industrialized community. The issue, it was generally agreed, is not the *elimination* of conflict, but the need to identify, incrementally and specifically, those areas where common goals and objectives can reduce the wasteful consequences of conflict and promote improved economic performance, with attendant social benefits.

- It was recognized that there is a natural inertia in institutional arrangements and that it may take an external threat of crisis proportions to provoke a lasting change in the way in which the labour market parties interact. It was

generally recognized that the virtually uninterrupted economic growth and prosperity since the end of the Second World War has not been conducive to changing institutional arrangements. Most participants recognized, however, that since the mid-1970s, doubts have arisen about the capacity of western economies to sustain affordable, non-inflationary growth. The Great Recession of 1981-82 underscored this growing concern, and that, together with the impact of rapidly evolving technologies, justifies the current heightened concern about the adequacy of existing institutional arrangements and an interest in improved dialogue and consultation.

- There was considerable discussion about the need for both labour and management to overcome some deeply entrenched and counter-productive attitudes. For example, from labour's perspective, it was said that it is difficult to enter into serious discussions about new consultative arrangements so long as management opposes labour's legitimacy and contests its right to represent employees who freely select labour organizations to engage in collective bargaining on their behalf. Employers, on the other hand, made the point that there is little hope for progress so long as management's legitimate concerns about profitability, productivity and competitiveness are not acknowledged by organized labour.

- The importance of leadership was emphasized by both of the European participants. The Swedish representative regarded strong trade union leadership as the *sine qua non* of effective social partnership. The German representative put it even more bluntly; strong unions and strong union leadership, he contended, are essential for the tough decisions that are needed in difficult economic circumstances. And, although the point was not explicitly made, it was implied that strong leadership on the business side was essential to overcome any defensive employer attitudes which have contributed to the failure of Canadian consensus-building in the past.

- Several participants spoke of the need for a common factual base upon which any agenda must rest. It was noted that in most European jurisdictions, and in Japan, trade unions have been able to devote more resources to research and analysis. As a result, there is less disagreement in those countries on the underlying facts, enabling the participants to avoid the acrimony which inevitably accompanies factual disputes and to turn their attention, more constructively, to exploring potential solutions.

- It was emphasized by several speakers that, in developing consensual arrangements, ***structure*** is at least as ***important*** as substance. The American guest repeatedly referred to the need to think and plan carefully about representation, membership, relationships with other levels of government and government agencies and other logistical and process questions. He contended that the most relevant substantive agenda imaginable cannot be addressed effectively without solid groundwork in structures and processes.

- Opinions varied on the scope for achievement. Most agreed that, at the very least, communication has its own justification and will lead to a better understanding of the problems and the stresses faced by the other participants. Others, more optimistically, believed that it was possible to identify a limited range of issues where common interests could be identified and where alternative policy options might be developed for recommendation to governments. It was observed that the participating parties must accept the advisory nature of their endeavours and be prepared for the fact that governments will not always act on recommendations, even those that are jointly supported by labour and management. Even the least enthusiastic supporters of consultation agreed that tripartite discussions give labour and management a chance to express their views before public authorities make final determinations on policies. In this connection, emphasis was placed on the importance of openness and the sharing of information. Comparisons, unfavourable to Canada, were made in this connection with Europe, where it is common practice for economic information and analysis at the macro and micro levels to be shared with, and between, the labour market parties.

- Doubts persisted, especially amongst the trade union participants, about the value of discussions on minor, peripheral issues where common interests could easily be identified. It was contended that unless major issues of substance could be tackled, there was a great danger that consultative efforts would be characterized as token and essentially meaningless. All the guest speakers, however, strongly disagreed with this viewpoint. They returned to the notion that process is critical and, by its nature, evolutionary. It is essential, first of all, to learn how to get together and how to work together. By dealing with the "minor issues", the participating parties are able to identify an increasingly broader range of issues which may be tackled. They are then better positioned to take preventive action before problems occur and, equally important,

to tackle crises without delay. Finally, it was acknowledged that underlying conflicts could not be totally eradicated, but that this did not make consultation either irrelevant or unproductive. Mr. Gotbaum put it this way: "Even in wars, there are times when parties have to talk."

- The relationship and role of government in the social partnership was also addressed by the speakers and participants. It was observed that true consultation does not occur where government, under the guise of consultation, simply seeks to have a predetermined policy endorsed by labour and management. Nor, as the experience of Western Europe reveals, can an effective social partnership be formed without government's participation on a basis of full equality. There was general recognition that, in a modern, mixed economy, governments are major players in the labour market, and their full participation is essential in order for real progress to be made.

As indicated at the outset, this summary does not do justice to the complex and fascinating interchange which follows. However, by publishing this anatomy of consultation, it is hoped that current Canadian discussions in various jurisdictions will become more focused and productive.

1. Introduction

Mr. Tim Armstrong

Perhaps I should begin with a word or two to those of you who are joining us for the first time. The Ontario Labour Management Study Group was formed in 1977. It is truly a tripartite forum in which labour, management and government have an equal voice, for which I make no apologies.

The charter membership included, from labour: Bob White of the United Auto Workers, Cliff Pilkey of the Ontario Federation of Labour and Stuart Cooke, then Director of District 6, the United Steelworkers. On the management side, the original members were Ralph Barford of General Steelwares, Bob Hurlbut of General Foods, Bill Dimma, then of The Toronto Star and later, A. E. LePage, and Bill Macdonald of McMillan, Binch.

It's been my privilege to chair the Group from its inception. We have had, over time, associates and advisors, including Terry Mactaggart of the Niagara Institute and my colleagues at the Ministry of Labour: Vic Pathe, Hans van Beinum, Nick Ignatieff, Alan Wolfson and Doug Gilbert.

Since the beginning, there have been some replacements and additions, including Ethel McLellan, Chairman of the Ontario Civil Service Commission; Dave Patterson, Director of District 6 of the United Steelworkers; Alton Cartwright of CGE; Peter Nixon of Algoma Steel; Chuck Hantho of CIL; Sean O'Flynn of Ontario Public Service Employees' Union; Fred Pomeroy, President of the Communications Workers; and George MacDonell, the Deputy Minister of Industry and Trade, who can't be with us today.

The original mandate of the Quality of Working Life Committee was to oversee, direct and promote Quality of Working Life experimentation in the province of Ontario. I am not going to spend a long time on the semantics of what Quality of Working Life means, except to say that it involves experimentation at the shopfloor level concerning organizational change and a greater degree of participation by workers in the enterprise. Those of you who want to hear more about the work of the Quality of Working Life Centre and its considerable accomplishments in terms of projects in educational and promotional activities can speak with Hans van Beinum, the Executive Director, and Nick Ignatieff, who is now closely associated with the work of the Centre.

That was the original mandate, but we have more recently expanded our mandate, under the direction of and with the concurrence and enthusiastic support of the Premier, and now concern ourselves with a broader range of issues having to do with social and economic policies. During the course of our existence, we have taken two trips, both to Europe — one in 1977 to the U.K., the Netherlands and France, where we concentrated

on innovative practices in the workplace, and a more recent trip in 1983 — perhaps more relevant to today's discussion — to Sweden, Austria and the Federal Republic of Germany — which focused on economic recovery strategies. You will remember that, at that time, we were coming out of what is now being called the Great Recession of 1982 and were concerned with both substantive and procedural economic recovery strategies.

On our return from Europe we reported to our political masters and, as a direct result, received the formal, expanded mandate from the Premier in a letter dated January 1984. In essence, the letter said that we should further explore strategies and practices in jurisdictions that have achieved tangible successes in economic and social matters through consultative processes.

Either in anticipation of or pursuant to this expanded mandate, we have met with a number of experts. We have met, for example, with John Dunlop, the former Secretary of Labour under President Ford and a distinguished American economist, who has had, perhaps, more to do with consultative mechanisms in the North American context than anybody alive. We met on another occasion with Jacques Singer, a Canadian economist, who gave us his analysis of the origins of the 1982 recession and the implications which flowed from it that related to labour and capital markets and economic policy in general.

On another occasion, Vic Pathe, the Assistant Deputy Minister of Industrial Relations, gave us a presentation on the state of collective bargaining in Ontario, its strengths and weaknesses and some suggestions about future trends. Paul Weiler of Harvard Law School, a well known Canadian labour relations adjudicator and troubleshooter, commented on Vic's presentation, and gave us some American perspectives. We heard, as well, from George MacDonell, who gave us a very useful presentation on the subject of competitiveness, productivity and associated international trade issues. On that occasion there was commentary given by John Grant, the Chief Economist and Vice-President of Wood Gundy. Finally, we had the first of two critical reviews of the work of the Quality of Working Life Centre, which is about to enter the seventh year of its existence, focusing on the progress that has been made in terms of initiating and sustaining projects in the field and promoting organizational change.

This is the sixth and most ambitious of the meetings held since we received the Premier's request to expand the nature and substance of our deliberations, and the first time we have extended invitations to participants from the labour and management community beyond our own membership.

Our objectives for this afternoon and tomorrow, briefly, are to determine what significant economic and social developments have occurred since our European study tour, and, secondly, to conclude our analysis of the European experience and to distill any conclusions about European approaches that

may be relevant for Ontario and Canada. Tomorrow we will hear from Josh Gotbaum of the investment firm of Lazard Freres in New York, the well-known investment bankers. Their senior partner, Felix Rohatyn, was instrumental in saving New York City from bankruptcy through the Municipal Assistance Corporation. Mr. Rohatyn was a member of the U. S. Industry Policy Study Group, co-chaired by himself, Irving Shapiro and Lane Kirkland. Josh Gotbaum was a principal author of their very interesting report and will be able to tell us not only about Mr. Rohatyn's work in the New York City bail-out, but also about some of the activities and dynamics of that unique labour/industry/government group. Dr. McCallum will be speaking to us tonight on the significance of consultative arrangements in achieving non-inflationary growth.

In introducing our distinguished European guests, let me, first of all, say how delighted we were to be received with so much enthusiasm and hospitality in Sweden and the Federal Republic as well as in Austria. Messrs. Sohlman and Molitor were especially useful and forthcoming in terms of giving their time and expertise in talking to people like myself with no particular knowledge of economics and helping us to understand what was going on in their jurisdictions. I am delighted that they were prepared, in very busy circumstances in both jurisdictions, to take the time to be with us this afternoon. We will start with Dr. Molitor, who proposes to give us a short historical overview of the situation in Europe, and then Mr. Sohlman will comment very briefly on that. We will have questions, and then, in mid-afternoon, we will move more specifically into an examination of what precisely is going on in the Federal Republic and in Sweden.

Dr. Molitor is the Ministerial Director, or Deputy Minister, of the Federal Ministry of Economics in Bonn. His studies include political science and law at various German and other European universities. He has held professional appointments, not only in the academic world, but also in the European Economic Commission. He was with the Commission from 1950 to 1975 before returning to Germany and joining the Federal Ministry of Economics. It gives me great pleasure to ask Dr. Molitor to commence this afternoon's proceedings.

2. *European Historical Perspective*

Dr. Bernhard Molitor and Mr. Michael Sohlman

Bernhard Molitor

First of all, I want to thank you for the invitation. I was wondering why you invited us to this country to speak about economic problems because it has become the fashion in Europe to look west since the economy seems to run much better in North America. One answer may be that you want us to tell you how one should not try to solve economic problems!

To begin, I will speak for ten to twelve minutes about the recent historical background of Europe, and then Mr. Sohlman and I will speak about the strategies of our respective countries. My analysis largely corresponds to that of the head of the French Statistical Office, Professor Malinvand (in a recent speech in the U.S.A.).

When the war ended, hardly anybody would have dared to expect the fast and prolonged economic growth that occurred through the 1950s and 1960s in Europe. European expansion was, at first, a surprise. Then, as people became accustomed to it, it was taken for granted, and became the background for the expectations, decisions and behaviour of trade unions, industry, consumers and others.

After the initial phase of reconstruction, two new objectives for economic activity were added: first, to protect a worker's disposable income from erosion by inflation to a greater extent than that provided by other countries, including Japan and the United States; and second, to achieve social progress in a number of ways: for instance, improved protection against the risk of illness, accidents or unemployment; improved pension schemes for older persons; improved security in the workplace against the risk of having unwillingly to change jobs; improved participation in collective decisions; reduction of inequalities in disposable incomes; and, to a certain degree, improvements in the infrastructure for education, housing and public transport. We thought this would be a wider European model because it spread throughout Europe in different ways. When I travelled this morning through this country, I had the feeling, at least in certain matters, such as infrastructure (which is certainly not as good on the other side of the border and not as good in Japan), that it is no longer just a European model, but could also be a Canadian one.

For many years, these principles helped. Real disposable incomes increased. Social progress did not always occur everywhere on all fronts, but it was, on the whole, quite substantial.

The opening of markets within the European Economic Community was a success and helped to create the liberalization of world trade. I am thinking here of the Dillon-Round, the Nixon-Round and the Tokyo-Round trade talks, in which the European Community played an important role.

Public budgets, of course, increased rapidly as a consequence, but they were financed by rapid increases in revenues generated mainly by economic growth.

In most European countries, the public debt was small up to the early seventies. Taking steady increases in output and productivity for granted, people believed the process would go on indefinitely in the future along the same lines.

Western Europe may have been living too much on success and on political promises based on this success, and was too introverted, paying insufficient attention to what was happening in the outside world–on this continent, in South America, the Pacific rim countries. In the nine countries of the European Economic Community, including Britain before it entered, the Real Gross Domestic Product increased at annual rates of between 4.5 and 5 per cent from 1969 to 1973. The corresponding rate between the two oil shocks was half that rate, or between 2 and 4 per cent. Expectations were not quickly revised. Economists and politicians long underestimated the importance of the change, and the general public was even slower to realize what was happening and what the resulting implications would be. I will add here that it was not the oil shocks alone which created this new decline in growth. The situation had developed even earlier, as the inflationary pressure in the early seventies seems to prove. Before I evaluate the present situation, reference must also be made to the business response during the earlier period of fast growth.

Several trends can be identified in the business response to the situation. First of all, there were quickly expanding internal and external markets. Secondly, there was a quick increase of the relative cost of labour compared to capital. Thirdly, there was also a substantial increase in rigidities in the labour markets and, furthermore, in comparison to the United States, and probably Japan, particularly in recent years, a rather low profitability. About these factors there was not much concern at the time as the economy seemed to be on a strong and lasting growth trend and nobody expected a sudden decline, much less the period of prolonged stagnation that we observed in Europe between 1980 and 1983. European industrial investment was high for many years, certainly by historical standards, even by comparison to the industrial investment elsewhere (including the United States and Canada), except for the fast- growing Eastern countries. For the Eastern European countries, we know that their debt/investment ratio is notoriously inefficient. I can say this very clearly, having some years of experience in negotiating and observing

what happens in Eastern Germany. Between 1974 and 1983, private industrial investment decreased almost continuously, except for a rather short upturn in 1979 and 1980.

Any understanding of present European policy options and of Europe's position in the international debates requires the recognition of the three major problems confronting Western European economies. The first is unemployment, with an average unemployment rate exceeding 10 per cent in the EEC countries. Canada has about the same rate, and I have the feeling that here, as in Europe, the demographic factor is exacerbating unemployment. This is an important part of the unemployment story. It is, therefore, likely that unemployment will continue to be high and to be a top priority for a number of years in Europe.

European competitiveness is uncertain, but it remains a precondition for expansion. Sustainable, long-term equilibrium must be created in public sector budgets, relative prices and income distribution. The present labour surplus is clear and it contrasts with the labour shortage that prevailed twenty years ago, which some European countries, such as France and our own country in particular, tried to solve through immigration of foreign workers, especially from the Islamic world. Probably the current labour surplus will not be absorbed quickly because the steadily increasing supply will outpace demand. Increases in both the working age population and the participation rate of women, which are, by the way much greater in Canada than in Europe, are responsible for the rapid growth of the labour supply. The demographic structure is such that annual increments to the working-age population will remain important during this decade, but then will slow down very quickly and may even lead in the 1990s to a new form of labour shortage similar to that which we observed in the 1960s. Labour productivity has been increasing in Europe during the past decade at a slower rate than it did twenty years ago, but it is still notably higher than it is, for instance, in the United States, where it is not increasing significantly.

If no significant change occurs in individual firms' employment policies, productivity trends in Europe will probably stay somewhere between 2 and 3 per cent *per annum*. An annual increase of about 3 per cent would be required just to contain unemployment at its present level. The productivity rate is not, of course, fixed in advance and can be influenced, for instance, by changes in the relative cost of labour and capital. One may ask, in concluding the first part of this discussion, if unemployment is a real problem after all. Western European societies turn out to be much more tolerant about it than anyone would have expected. I remember the *Economist* saying about ten years ago that one million unemployed would be catastrophic for the United Kingdom, while now, the figure is approximately 3 million. This is, in part, due to the relatively generous income compensation received by unemployed people in Europe; although you never can speak

about generosity with respect to unemployed people. Notwithstanding the present tolerance, lack of concern for unemployment would not only be ethically objectionable, but also positively unwise. It is splitting society into new classes: those with a job and those looking for a job; those having job protection and those who don't. These divisions may create fundamental frictions, the risks of which could have very grave political consequences for our society.

The response to this problem was, and is, different in Europe, and this is why we have divided our introduction into separate parts. The Swedish experience is quite different from the German one and the German experience differs, in turn, from the British and French ones.

Tim Armstrong

Thank you, Dr. Molitor. Mr. Sohlman is now going to comment on this historical overview. May I say, by way of introduction, that Mr. Sohlman is a graduate of economics from the University of Stockholm. From 1972 to 1974, he was with the Ministry of Industry; from 1974 to 1976, the Ministry of Finance in the International Department and, later, the Budget Department. From 1977 to 1980, he was Financial Counsellor of the permanent Swedish delegation to the OECD in Paris. From 1981 to 1982, he was with the research group of the Social Democratic Party, and in his present position is Deputy Under-Secretary in the Ministry of Finance, Head of Planning and the Swedish representative to the Economic Policy Committee of the OECD.

Michael Sohlman

First of all, I would like to say how glad I am to be here and to meet those with whom we had interesting discussions in Stockholm. It is also very interesting for me to be in a country and, in particular, Ontario, which, in many respects, has similarities with Scandinavia.

I fully agree with Dr. Molitor's historical analysis of the European situation. I just want to add some short comments about where things stand in Europe, generally and specifically, since your delegation visited Stockholm. We have seen a recovery of the world economy and also, to a certain extent, of the European economy. But, looked upon as an aggregate, this recovery has been slow by historical standards. We witnessed a cumulative deflationary process as several of the larger countries directed their policies at domestic priorities, primarily the containment of inflation, while ignoring the impact of these actions upon the international community and themselves. We were pulled out of that recession, to a large extent, by the well-known expansion of the U.S. economy. A very unorthodox set of policies with strong expansionary fiscal aims and clearly restrictive, anti-inflationary monetary policies created a new pattern in the

world economy, which, according to our view, has some positive elements. We have come out of the synchronized cyclical swings of the world economy which began in the early sixties, were then repeated at the beginning, in the middle, and at the end of the seventies and declined once more in the early eighties.

Now the very strong development in the United States is counterbalanced by much slower development in Europe. This has had a beneficial impact on commodity prices, oil prices, and the like. At the same time, we all have to live with abnormally high real interest rates and their potential risks for productive investment in the medium and long term. We also see very serious savings imbalances in a number of European countries, including internal savings imbalances between different sectors; and we also view with alarm the savings imbalances in the United States, with its increased budget deficits, which are not matched by increases in domestic private savings.

Europe now has in place a set of very restrictive fiscal policies, and, of course, one could raise questions about the appropriate degree of their restrictiveness. Anyway, one can note that growth is very much lower in Europe. Depending on the country, it is half to one-third of the growth rates you have had here, at least in the United States, and of that lower growth rate, one-third to one-quarter is explained by net exports. The more rapid net increase in exports compared to imports is again due to the expansion of the United States economy. If you look at what has happened to industrial production, for example, there is a rather striking difference in the United States, and I guess it's different in Canada, too. In the United States, industrial production since 1982 has increased by about 20 per cent, and this is, by the way, true for Sweden, as well. In Europe, on average, the increase is around 5 to 6 per cent. The question which one might ask is what will happen next year when most forecasts tell us that momentum of the United States expansion will slow down with no clear acceleration in the European economies. One concludes from this, that the unemployment problem, for Europe at least, will remain very serious and the number one priority for at least a good part of this decade.

3. Discussion on Experiences of the Federal Republic of Germany and Sweden

Tim Armstrong

The very serious unemployment problem is a good starting point for questions. We are going to deal with the current situation and some of the policy solutions that have been adopted in both the Federal Republic and Sweden in more detail in the second half of our discussion.

Bill Macdonald

Mr. Sohlman's last remark recalled a comment that I think Dr. Molitor made when we were in Bonn, which is really about the loss of so-called synchronized expansion and contraction. My sense of Dr. Molitor's remarks of a year ago was that he perceived that the heavy American balance of payments deficit was pulling the rest of the world economy. Dr. Molitor suggested that the West German government was ready to contemplate a similar role for the West German deficit to keep the expansion going. I get the sense that now one doesn't perceive Europe being able to take over sequentially from the Americans as their recovery slows.

Bernhard Molitor

Well, as to the first part, I think you remember well. I still think that we are in the grip of the cycles which we experienced in the 1950s and 1960s. In the 1970s, when the cycle had almost run down, a very strong inflationary period started up, and, as a matter of fact, this is still the case in Europe. You know that my country started with an internal demand-fed recovery which was not based on Keynesian spending (except for the housing sector in Germany, where we now find that the effects of Keynesian spending and Keynesian programs level out very quickly), but on confidence, supply-oriented measures and even anti-Keynesian reduction of public deficits, which worked quite well, until now.

I regard this basis for recovery as very hopeful because it didn't bring us inflationary world-wide pressures at the same time. The fact that inflation was brought under control during this recent cycle may give us some positive prospects for the future. For the first time, all industrial countries have realized that inflation in the second or third year (in the U.S. in the second year) is not accelerating, but is, instead, decelerating. This is due to the fact that, for the first time since the second half of the seventies, central banks are no longer pursuing mainly interest rate policies, but more quantitative policies, monetary targets, etc., which have not created the excess liquidity at the very beginning

of the upward swing that we saw in earlier times. This is a fundamental difference.

The second factor is that we have avoided the bottleneck in raw materials because we are not all in the same phase of the cycle at the same time. As to the third factor, well, I would say that raw materials have played an important role. The highly indebted countries are pushing the sales of raw materials much more than they did in the 1960s and 1970s. This is the situation for South America and also Malaysia regarding tin, as you can see on the London tin market. The fourth point is the desynchronization of political objectives. Some countries, among which are mine and the United Kingdom, are advancing by reducing public deficits. This year, we will have half of the deficit in 1981 in terms of GNP, about 2.5 per cent against 5 per cent in 1981 in terms of share of GNP.

Others still have a long way to go. The United States is an open question for all of us. We hope that after the "down payment", some further progress will be made after the election; and Japan has still a long way to go in this particular field despite all the success that it has realized in other fields. It is indeed sometimes a concern, e.g., for our Scandinavian friends, if Germany is not consolidating or reducing the public deficit too far? Until now, we have not. It has not hampered our growth. It may even have created more growth because it has re-established confidence. It has given more room for private investment. The crowding-out feature is reduced, and it has given us lower interest rates than in the United States. We have, indeed, a de-coupling of interest rates from those of the United States: a 5 per cent interest rate differential on long-term rates and 6 per cent on short-term rates. This may be still too high. But, nevertheless, there is a possibility of de-coupling if you can change the demand for public funds and if you give more room for private investors in capital markets, and this was exactly what we were aiming at.

Bill Macdonald

I may have misled you. I think what you indicated was that West Germany was running a trade surplus, and that you would be ready to run a trade deficit in order to pick up from the American trade deficit that I think one felt was unsustainable.

Bernhard Molitor

On the trade side, we are not aiming at running surpluses. We would accept a sustainable deficit which corresponds to the forerunning role of the German cycle with respect to our neighbouring countries.

Peter Nixon

Dr. Molitor, you described the history and the background of the way Europe has evolved, and said, in passing, that the question is "Will Europe be competitive?". My question is in two parts: Do

you have any choice but to be competitive in today's world, and how would you, and we, achieve it?

Bernhard Molitor

Well, I come from a country where there has been a long debate on competitiveness. I think it has been terribly exaggerated. On the macro-economic level, one must, of course, be competitive and I think German industry is in general. Export orders are now extremely good, 20 per cent in the first eight months of this year above last year's level.

Take the highly sensitive sectors, the so-called high tech sectors, concentrating on a few items. What really is high tech? Are energy plants high tech or not? Are airplanes high tech or not? The German airplane industry is a loss-making affair, to be very frank, so I do not consider this to be a particularly highly competitive sector. Modern automobiles could also be considered high tech.

More important for competitiveness is the integration of high tech products in industrial sectors rather than their development in isolation. And if you look at those sectors where high tech goods are found, we find that even the electronics sector is above the average export figure I mentioned. The other one is machinery, where there is, nevertheless, a 16 per cent increase. One must not forget that the period 1980-83 was a time of low investment and investment goods have a large share in German exports. We can only improve our competitiveness if the general climate is one of demand for German goods. We don't have the feeling that Germany is the leading nation anymore. Furthermore, I think the world has changed. We must see that the industrial countries have spread out, that new countries are coming: Southeast Asia, Korea, Malaysia, Singapore, Taiwan; maybe, one day, China. If you want to integrate them, that means that your share of the market goes down a little bit. The Japanese share went up because it came from a very low level. Secondly, one cannot be the best in all fields, and in our weak areas, the entertainment electronics field, for example, we have lost markets. We certainly did not find the right product, as did Sony, and there may be other fields, like microchips, where this is the case, too. However, Germany is exporting more computers to Japan than the United States. It seems strange, but it is true.

Peter Nixon

Does that have anything to do with currencies?

Bernhard Molitor

No, I don't think it has much to do with that. In these fields, you take the best product. You don't look so much at the price. I think it is more a competition of quality than of price. But maybe Japan is producing the same computer as IBM, whereas the specialized computers of Nixdorf are different. They probably do not

have good competitors or not enough competitors. The problem of microchips is not so much to develop them, but to integrate them into modern products. I think that, so far as competitiveness is concerned, if there are weaknesses, it is more a question of firms than a question of sectors. There is no particular reason to be afraid of German competitiveness. One must, nevertheless, be aware that competition is high and that one must make great efforts. Just to go further, one reason why we are against, for instance, self-restraint agreements, higher tariffs on high tech goods such as the European Community sometimes has asked for, is because we need the competition. Without the Japanese competition, the German motorcar industry would be of a low standard. It would not have realized the 50 billion D. Mark investment program over the last three or four years if it were not aware that there was a competitor who was doing better. I think this is a very fundamental question. Individual firms become very lazy if they have the feeling that they have a practical monopoly on products.

Cliff Pilkey

Could I just raise a question on this whole philosophy of competitiveness? I just heard what Mr. Molitor said, and it is something that has really bothered me for a long time. We talk about competitiveness, and it really means, in my view, that there are winners and losers. I guess what bothers me, from a philosophical point of view, is what in hell happens to the losers in the scheme of competitiveness? He just made the observation that they had to really outdo Japan. Now that means that somebody has to pay the price if they are on the losing side of it. It is unfettered free enterprise that says the strong survive and the weak can go to hell, and that's what it's all about. It's dog eat dog, and that really bothers me. I don't know where in God's name we're going in that kind of a society, whether it's Canada or elsewhere, and that's why I am raising this question. I don't think that we're going to resolve this problem or address this philosophy at this meeting, but I want to tell you, I have some deep feelings about it. Everytime I hear that word "competitiveness" and "we've got to win", I ask at whose expense are we going to win, or how are we going to suffer in that sort of an environment? And if there is a question of losers, how do we rationalize that? I'm sorry, I just get carried away.

Michael Sohlman

I wanted to say first that I share Dr. Molitor's view that the problem of competitiveness is a very open question on the macroeconomic, fundamental level in this economy. I happened to be travelling around the States about a month ago, and what did I find in the United States? — all the symptoms we had in Sweden of an overvalued currency. The same very serious structural

problems which you were hinting at; people losing jobs, not because they were working less than previously or because they made bad products, but because the exchange rate is pushing them out of a job. They might be in a branch of the economy which has to change in the medium term, but when you have such very strong fluctuations in a currency's external value and, therefore, in competitiveness, you get very strong social and regional effects, which are difficult to cope with. In the United States, fortunately, there has been an increase in employment. But in our situation, particularly in Sweden for almost ten years, and also, to a larger extent, in Europe, industry has been growing at a very slow rate and has been continuously laying off people. Here you have a situation where there is not a growing cake out of which you can take pieces and re-distribute to lessen the shock for certain industries or people. Here people really lose out, and this, quite naturally, leads to protectionist pressures in order to maintain and protect activities and industries. Therefore, it is so important to have a reasonable rate of growth. But at the bottom of your comment also, is the question of the international division of labour, which, for a small country like my own, has been of tremendous importance when it comes to the development of the economy, income levels and welfare. The reason is that the international division of labour makes it possible to increase productivity so tremendously. And this is not only the Swedish government's point of view; the Swedish trade unions stand behind the position that it is necessary to maintain free trade as much as possible. I say this with certain knowledge of what is really going on, for example, in the steel sector, where the question of free trade is a hard one to answer. But, in general, this is our attitude.

John McCallum

I was going to say something about deficits, but maybe I could add one word about competitiveness. It seems to me that a short answer to Mr. Nixon's question is that Europe, *vis-a-vis* the U.S., is now extremely competitive because there has been an extreme depreciation of the European currencies compared with the U.S. dollar. In a sense, Europe is artificially competitive because most people think the U.S. dollar may be a bit overvalued. This bears on Mr. Pilkey's point because I think you can't really get away from the competition from other countries altogether because that is the way the world is, especially with the newly industrialized countries. What you could try to get away from is this wildly gyrating exchange rate which causes sudden changes in competitiveness that are extremely dislocating and throw people out of work. In 1980, European currencies were overvalued, and they dropped suddenly, causing people to be thrown out of work in America because they were no longer competitive. So you're going to have competition, but it would be much better if the exchange rates didn't go so wildly up and down so that one

moment one country was super-competitive and the other one was the loser, and then, the next moment, it's the other way around. What we need is some stability in competitiveness even if we can't get away from the basic fact that we live in a competitive world.

Cliff Pilkey

Are you suggesting that there should be stability in the exchange rates?

John McCallum

Yes, in real exchange rates corrected for differences in inflation.

Cliff Pilkey

How do we bring that about? I'd like to ask the question because I think it's very important. How do you bring about that kind of stability? What sort of international forums could put that stability into place?

John McCallum

Well, the world's leading economists are debating that, and none has come up with a very good answer. There are various proposals around. For one thing, we don't really understand clearly why we have had this huge gyration. People say the overvalued U.S. dollar has something to do with the U.S. deficit. It may have something to do with other things, too. People want to put their money in America because they have confidence in Ronald Reagan, and things like that. Psychological things that are very hard to predict cause gyration. So, we want stability. But then the question comes up of whether politicians or bureaucrats know enough to say what that stable rate should be. Should we leave it to the market with all its imperfections or should we try to stabilize it through the political process? That may be worse if the politicians or the bureaucrats make bad decisions, because fundamental conditions change so that sometimes it is desireable to have a change in true competitiveness. That's not answering your question entirely. I think the object is clear; the means are difficult.

Bill Macdonald

Surely, one thing we should recognize, though, is that a currency's value is one of the disciplining factors in a country's economic affairs. It isn't just hanging out there all by itself. And if you lack discipline in some areas of your affairs, you have to get it in others. I think, in the United States, the fact that although they do not have fiscal discipline, but do have monetary discipline means that one of the fallouts has been in the value of their currency. If something brings discipline because it's real, it works, and if you get tired of it, you may opt for another, and then you may find that the old one that you've forgotten about re-asserts

itself. If you are going to have exchange rate stability, you have to have basic stability in the national management of economies, which is not that easy to achieve.

John McCallum

You have to have co-ordination among national policies.

Bill Macdonald

You also have to have discipline, which is not easy to achieve.

Peter Nixon

Not to spoil the discipline aspect, I would just like to say that competition is a fact of life, and neither you nor anybody else is going to make it go away.

Cliff Pilkey

Yes, I saw that at the Olympics: either you win a gold, or a silver or a bronze, and the rest can go to hell.

Peter Nixon

It's just like you. In your career, the people you ran against and beat didn't get the job they wanted. They've still got a job, but they didn't get the job they wanted. That's competition, and nobody's going to change it.

Cliff Pilkey

Well, I try to stop that. I don't want anybody running against me!

John McCallum

My first point, if you don't mind, is about deficits, and it bears on the two speakers' discussions. I have done some work on this question, looking at the experience of some fifteen industrial countries to determine why some countries have had such big increases in unemployment since 1979 and others haven't. Through statistical analysis, I looked at a number of factors, and the key is differences in fiscal policies and deficits. It's clear, just looking around, which country has had the strongest recovery: the United States with the biggest increase in the deficit. Which have been the stagnating countries? The U.K. and Germany, with their high rates of unemployment, big cuts in spending and increases in taxation. To explain why some European countries, like Germany and the U.K., have been doing badly and others, like Sweden, have not, the basic, most important, single factor has been big budget cuts or not. It seems to me that if the American deficit is unsustainable, then, indeed, the future is rather bleak, especially if Britain and Germany in particular insist upon carrying out these large-scale budget cuts. But if they relax their fiscal policies to some degree, then it seems to me that the outlook for Europe and the world's recovery is quite good. With

respect to inflation and the balance of payments, there is no reason why Germany and Britain could not pursue a somewhat more relaxed budgetary policy. The only reason is an ideological one: their religious opposition to deficits; that is one of the real major problems threatening a slowdown of the world's recovery at the present time. And one last point: Germany says it will tolerate a trade deficit, but the only way they're going to get a trade deficit is if they have some loosening of their fiscal policy. If their fiscal policy remains tight, they're going to stay with their trade surplus. It seems to me that these budgetary policies, particularly Germany's, are the key factor behind the durability of the world economic recovery.

Bill Macdonald

John, as part of your analysis, did you deal with the changes to the deficits over the last four years? And did you compare the countries' relative positions at the beginning? Did you look at the public sectors? Did you analyse the deficits as shares of GNP? If you noticed a deficit in public consumption, what was the relative relationship between private consumption and investment? It seems to me that you can't just take one component out of a system and compare it to everyone else's single components. You must consider that the systems are all at different positions, have different relativities and manageability. I'm just wondering what you did.

John McCallum

Well, I'll tell you what I did. I think it's consistent because I tried to explain the change in the unemployment rate in each of four years beginning in 1979, in each of fifteen countries. I related the change in the unemployment rate to the change in the deficit, cyclically-adjusted as a percentage of the GNP in each country. But I also had other variables, including indicators for changes in monetary policies, competitiveness, and import price shock. They were all important, but the deficit element was the most crucial.

Tim Armstrong

It's a conundrum that the only country with a significantly expansionary fiscal policy is the United States, and it's the only country where they have robust recovery and low unemployment.

Dave Patterson

Talking about a strong recovery, where the hell is it taking place in the United States? Tell me what sectors are recovering in the United States. You have the $15.00-an-hour jobs being replaced by the $3.00 and $4.00-an-hour jobs.

Tim Armstrong

An economist can tell us whether or not a strong U.S. recovery is taking place. In relative terms, it is beyond argument. The strongest recovery is taking place in the United States.

John McCallum

If you think the United States is bad, look at other countries.

Dave Patterson

Don't get off on a tangent. Where's the recovery in the United States?

John McCallum

It depends on how you measure recovery. The growth in the number of jobs...

Dave Patterson

If you want to talk about real growth in the automobile sector look at the real growth of robotics in the automobile industry in the last couple of years. You want to talk about the American people who are really suffering the consequences of this great recovery; there are approximately 27 million people living in poverty in the United States. The talk of a recovery in the last couple of months is all a bunch of political gobbledegook to convince people that things really are turning around. I notice that during all the presidential campaigning, there were no visits to the decimated areas, whether they were in the southwestern United States, on the west coast, in the industrial heartland or in the mid-west. So tell me where the growth is. Don't bullshit me or keep me in the mushroom factory. I'm tired of being kept in the dark and fed bullshit all the time. I want to know where this great strong recovery is that everybody is pointing to. It sure as hell is not in the major industrial sectors that have been dying for the last three years. Let's not deceive people. If you want to run for political office in the U.S., go to the United States.

Tim Armstrong

I think you missed the thrust of my remarks.

Dave Patterson

No, I didn't. I've been listening to other people say the same thing.

Tim Armstrong

At the risk of being provocative, I will say that the Reagan people are anti-Keynesian by words and quite the reverse by deeds. I thought you should have been picking up my lead, but you didn't; so be it.

Sean O'Flynn

It seems that the Europeans blame the high level of interest in the United States for some of their problems. And you talked earlier of a differential of 5 or 6 per cent between the interest rates in the United States and Europe. Dr. Molitor, do you have any control over the export of capital?

Bernhard Molitor

We don't want control over the export of capital because we can't have it; and even if we wanted it, there is no possibility of getting it. In countries like mine, which exports one-third of its GNP in goods and services, you never can control capital. Where real control may be effective is on the exchange of goods and services. But it is certainly not possible to control one-third of the GNP if it's paid right away, if it's paid in advance or if it's paid afterwards.

Sean O'Flynn

Okay, in this country we were always told that we have to keep up with American interest rates because, if we didn't, capital would go elsewhere, to where the higher levels were. I wonder how you would account for the fact that you can have a differential of 5 to 6 per cent and yet your own capital needs are well satisfied.

Bernhard Molitor

I don't know the United States as well as you do. You can go over the bridge and see the work force there. But what we found out, and what statistics are proving, is that there are 27 million more people employed since 1970 in the U.S., of which 9 million are in the service sector, 5.2 million are in the trade sector, 2 million are in banking and insurance, 3.3 million are in the government, this being Carter's expanded public sector, and lastly, 1.3 million, and I think this is what you are referring to, 1.3 million are in the industrial sector.

Dave Patterson

What does that mean? 1.3 million in what sector?

Bernhard Molitor

The industrial sector. Industry in the narrow sense — manufacturing.

Dave Patterson

1.3 million people in real jobs — growth jobs.

Bernhard Molitor

I am cautious to call one job a real job and another job not a real job. A job in banking is certainly a real job. Working for an insurance company is certainly a real job.

Dave Patterson

What I am talking about is the 1.3 million jobs that create other jobs. That's a pretty sad scenario on real growth and a pretty sad scenario on recovery. If we called these depressing figures a recovery, we would be having a lot more structural problems than we are having right now. We are in a major dilemma if we have to look at the United States to get us out of some economic recession.

Bernhard Molitor

Your remarks about the U.S., if accepted, cast extremely strong blame on Europe, by implication, because Europe has lost jobs since 1970. That's the difference. Instead of creating jobs, it has lost them in industry, and this underlies my analysis. Many things in Europe went wrong in the 1970s. This is what I wanted to make clear. There is a striking difference between, on one side, the United States and North America in general and, on the other, Europe, which has always been considered a success story. That is why I started with a historical background.

Wally Majesky

What has been the historical pattern in terms of income distribution? When I hear the term "profitability", it seems to me that there are some data in this country that show the gap is getting bigger between the haves and the have nots. How are you dealing with that in a practical sense?; or if you haven't dealt with it already, how do you intend to deal with it?; and will the rich get richer and the poor get poorer? In this regard, you could talk about efficiency, profitability, keeping down wages, etc.

Michael Sohlman

It is important to focus on functional income distribution, and profits and wages as such, and there we think we have made the necessary adjustments. In 1983, the shares looked the way they did in the early sixties, when we had an expanding economy; and that leads us to think that that sort of sharing of the national income is what we need in the coming years. Now, of course, there are a lot of new elements which make the requirements for profitability higher than they were in the sixties. First of all, the uncertainty of growth when you invest; second, the unprecedented high return on financial investments, primarily from high interest rates, which manufacturing has to compete with. We think that the profit share we reached in 1983-84 was, cyclically, slightly higher. That is the approximate level we have to aim at. Then, I might expand on your question and talk about income distribution, especially between different households. In this regard, I think Sweden has gone further than most countries in the redistribution of income between households. The taxation of income, particularly of wages, is one of the highest in the world. There is, to be honest, a very hot debate going on in Sweden about whether we haven't gone too far, and one sign that we

have gone too far is the fact that all the major parties are agreed about cutting marginal tax rates. All that remains to be decided is the extent and pace with which this will be implemented. When it comes to ownership of capital, Sweden still has a rather uneven distribution. I mean the ownership of shares in companies. In the last couple of years, stock market activity has developed strongly in Sweden, and ordinary people have started to use their savings to buy shares. Traditionally, over the decades, only a very small group of people owned shares. Now, as that part of the economy that is built on shares has to expand, it is important that it be reasonably well-distributed.

Bernhard Molitor

One should first of all think about income distribution, that is, the share of wages and self-employed income compared with the s! are of profits, which normally includes income from capital investment, such as interest, savings accounts, etc.

In my country, the wage share has increased from some 65 per cent of the GNP to 77 per cent up to 1982. This, of course, means that you have a profit squeeze. So long as the growth process is working and you have sustained growth, business can probably work with low profit margins. But when there is a longer period of stagnation, such as we had between 1980 and 1982, one sees what it really means when profits are too low. The second problem, in this context, is that profits are used as one of the means to increase risk capital, and, in my judgement, the risks for private investment seem higher today than they were twenty years ago. We have to take that into account. I do not favour zero growth for real wages because it is easier to make corrections when there is more of a gradual way, giving room even for moderate real wage increase, than when there is an abrupt decrease of 10 per cent. In the United States, real wages were about at the same level in 1982 as they were in 1970. The adjustments were arrived at because of the very high rate of inflation in the middle of the 1970s, which ran at rates of 11 per cent to 14 per cent. I would not consider this to be a good way of adjustment. The feeling of injustice created by the process of correction by inflation is much higher because you don't know what the other parties are really getting in the bargaining process.

We think that there has to be some correction. My next point concerns the relation of costs to the rate of return. Europe is discovering that relative labour costs are too high to produce the right type of investment. What we get is capital deepening, more rationalization than in the United States. One indicator is that the productivity increase in Europe, which was 5 to 6 per cent in the sixties, is now somewhere between 2 and 3 per cent. In the United States, it's zero to one per cent. This proves that investment in the U.S. is more oriented (maybe it's in the service sector) to employing people than to rationalizing production with the result of fewer workers being employed.

Alton Cartwright

Mr. Chairman, I don't know whether it was good planning or good luck, but, about a year ago this group decided to examine Sweden, the Federal Republic of Germany and Austria with the objective of finding out whether the mechanisms in place in these countries, which were designed to achieve consensus, understanding and, you might say, co-determination among the social partners, were working. The reason I think the timing was fortunate is that, apparently, we hit a point in the histories of Sweden and the Federal Republic where there was a major turning point in their economic policies. We've heard a beautiful description this afternoon of the basic changes that have been made in the past year and a half. Mr. Sohlman dwelt at some length on the extensive consultation and apparent acceptance of it by the social partners, although I think he said the jury is still out a little bit on wages. But, in general, the big turn was made without conflict. I would appreciate it if Dr. Molitor could expand a little bit on that aspect of the change, how it's been accepted by the partners.

Bernhard Molitor

Well, the social consensus of an economy, or a country, in my view, corresponds a little bit to the goodwill of the participants. This does not mean that you can expect harmony. There is room for conflict between the social partners. One wants to get a bigger share of what they think they deserve as wages, and the other wants to keep as much as possible. We should never try to say there is no conflict. The question is how to solve this conflict. That's my first point. The notion of pre-established harmony evokes an idealized picture. My second point is that the market economy is also the scene of daily conflict between producers and consumers.

We have a social consensus in our country for two reasons: one reason is the bad experiences of 1933-45, when the trade unions were suppressed. We realized, then, what democracy really meant, and one should never forget that we had a particularly good starting point after the war. What is sometimes forgotten is the particular German experience that permitted things like co-determination to be put forward. Co-determination in the steel and coal sector was the price the first Chancellor of Germany, Konrad Adenauer, paid for the support of the German trade unions against the dismantling of the occupying powers in German industry and the return to the private sector of coal and steel production.

My third point is that we have a long history, going back to 1918, of autonomous collective bargaining in which the government has not intervened (excluding, of course, the period 1933 to 1945). Incomes policy is a notion that did not appear in Germany, as it did in many other European countries such as France,

the Netherlands, Scandinavia, etc. The government did not intervene; it made an appeal; it gave opinions; but it never intervened by fixing wages. I think this is a very important point. The Federal Republic of Germany and Switzerland are two countries that have adopted a pluralistic and decentralized approach to wage negotiations.

My fourth point is that at the end of the 1960s, under the Social and Christian Democratic Coalition, something like concerted action was established to lift the German economy out of the slight recession. This action worked for over ten years. This concerted action broke down when, in 1976, the employers attacked a law that slightly extended the co-determination before the Courts. I think it was a mistake by both the trade unions and the employers' organization. One should maintain one's position, but not refuse to meet. It is very difficult to return to the table afterwards. That was, by the way, also the experience of the French Government in Brussels, when they adopted the policy of the empty chair. It is always very difficult to come back, sit down and make compromises.

We are now trying to re-establish concerted action. By the way, the dialogue between the government and the trade unions has never been interrupted — not with the old government, and not with the new government either. The government and both sides of industry are trying to re-establish a tripartite dialogue, but on a much more limited basis than under the concerted action, when fifty or sixty people sat around the table. It is indeed helpful to discuss difficult items of economic policy in general; but this cannot and should not replace wage negotiations. You will get some type of free discussion between both sides, which does not necessarily mean that you get agreement. It's very good, sometimes, to hear what trade unions think should be done, not in a formal way, but in an open, informal discussion where one can say, "You have not made progress on the unemployment side. Do you really think that in one year you will have made progress?" What a government can say is that it sees the risks in its policies, including the Keynesian risk, which our Scandinavian partners sometimes show us, and that the government thinks it is worthwhile to try its way because the old policy led to 2.3 million unemployed.

Alton Cartwright

I am not sure that I understand your answer. You think it's a good idea to have more consultation. But was this a part of the program you described as privatization, and is this essentially diverson of capital from real wages into investment? Were the unions consulted?

Bernhard Molitor

The unions will not agree on that, and you can't ask them to agree. They are very reasonable, but on certain points you will

never get their agreement. But what the trade unions could, in such a case, say, is, "This is not what we want—on the contrary—but it would be better if you would, at least, change this or that point." In this way the internal dialogue is, in my view, important and can help. The restructuring of the steel industry in Germany was, for example, done with very close contact between the government, industry and the trade unions. This does not mean that the trade unions gave us a recipe for how the government should act. You can't ask the trade unions to give up their role, but at least you can create some understanding about certain measures to avoid any major misunderstanding. This is a political arrangement that includes ministers, particularly ministers, and trade unions, who may otherwise get the feeling that the government is totally against them.

Alton Cartwright

Thank you. I took up the whole half hour!

Michael Sohlman

Keynesian doesn't mean that you always should expand demand. We think you should also contract sometimes. But one should not be too over-optimistic about what one can achieve through this channel in the way of stability. However, given the tremendous costs of inflation in terms of lost output, employment and other social costs, even a small effort to increase the understanding of the workings of the system through contacts by the social partners is worthwhile. Inflation creates a spiral of expectations. If you have the advantage of a centralized system from which you can convey signals, then why not use it? This is one thing, it is quite another to try to fix exact rates of incomes. We may make recommendations, but we have no illusion that we can legislate the solution to problems.

Gordon Fisher

At the end of Mr. Sohlman's remarks he commented that there was a developing discussion in Sweden about what he described as a new model of income distribution. It was not clear whether he was referring to a new understanding of functional income distribution or a discussion of a new process or method of establishing it.

Michael Sohlman

The answer is the latter — a new formula to calculate the warranted wage increase. We have been living for a very long time with something called the "EFO" model in Sweden or the "AUKRUST" model in Norway, which, for the experts, means that you take (as was quite natural, when exchange rates were stable), the price increase abroad and you add the productivity of your own industry, and that becomes the rule for wage increases. Now, this might have worked in a situation where the industry

was the appropriate size for the country. But if you want to increase investment in the industry, you need to have a higher profit share, and that causes the formula to break down. If you are not prepared to accept the international level of inflation, then the old formula doesn't work either. If you compare this old formula with the reality of the Swedish economy, which includes nominal wage increases much higher than those given by the formula, then something has to change. We have to take into consideration either internal goals for price stability or other solutions. It all boils down to the basic requirement that, if you start in a situation of equilibrium in terms of the size of the productive sector, you cannot expand real wages more rapidly than productivity. Then you have to take into consideration the changes in terms of trade and the like.

But they are working on it, and we'll see what comes out of it. This new initiative has a certain smell of nostalgia for the fifties and sixties when the chief economists, Swedish Employers' Confederation and the Swedish Trade Union Conference (LO) sat down and calculated a range between 3.6 and 3.8 per cent, and then opened up discussions, to the whole theatre, of the negotiation process, and they closed down when they arrived at 3.7 per cent! That was more or less the way that the system worked.

Tim Armstrong

We'll have more than adequate opportunities to thank our guests for their very rich and enlightening presentations. Indeed, you both will be with us tomorrow morning. One thing I wanted to pursue with Mr. Sohlman is this notion of efforts to sterilize or reduce excess liquidity through some consensual mechanism designed to restrain demand on both the wage and price sides.

The other was the reference by Dr. Molitor to the question of harmony and the need to separate theology from collective bargaining. This does echo a debate which is taking place to the south of us between Archbishop O'Connor and Governor Cuomo. For those of you that haven't read it, Governor Cuomo 's speech (I am becoming an agent of the Governor) is printed in the current issue of *New York Review of Books*, and he has a beautiful line about "the last thing we need is a celestial party chairman." I think there is some vague connection, however obscure.

So many thanks.

4. *Canadian Perspective*

Dr. John McCallum

Russell Ramsay

As an objective observer, because I'm not directly involved with the Labour Management Study Group, I must say that I am very impressed with the distinguished group that has been brought together here on this particular weekend. I am sure this couldn't happen in any other jurisdiction in Canada or even the United States, so it is a real privilege for me to be with you today and also to have the opportunity to introduce our special guest this evening. Before I do that, I want to thank each of you who have taken time from the weekend, which few of you get many opportunities to enjoy, to be with us today and tomorrow. I also want to thank, most sincerely, the special guests and participants that we have with us. The two of them we've heard thus far have certainly made the afternoon a very exciting and interesting one for me.

I'd like to introduce our speaker for this evening. Dr. John McCallum has a very distinguished record. He obtained his B.A. at Cambridge University, received his M.A. in Paris and his Ph.D. at McGill. From 1978 to 1982, he was a professor of economics at Simon Fraser University, and now is the Chairman of the Department of Economics at the University of Quebec in Montreal. He has written numerous articles, including "The Role of Social Structures and Economic Policy Effecting Economic Performance". He co-authored a book, that some of you here may know, with Clarence Barber, entitled *Controlling Inflation*, and he has acted as a consultant to the Macdonald Commission. So it is with a great deal of pleasure that I introduce to you, Dr. John McCallum.

John McCallum

Well, thank you very much. It is a great pleasure and honour for me to be here, and I'd like to thank you for inviting me. I notice that my talk is called social partnership in the development of economic policy. That is so broad it could mean anything. Perhaps a more accurate title might be the age old question of how to get high employment without inflation. Now that may sound a little heavy for an after-dinner talk, but I do think that it goes to the heart of the matter we are all concerned about. Perhaps I might warn you in advance that one or two of my comments might be interpreted, although I don't mean it that way, as being either anti-labour or anti-business. The reason I'm telling you this in advance is because I think the part that might be interpreted as anti-labour comes first and I want the labour people to be assured that there is an anti-business point that comes a bit later on. And also, perhaps you might both end up disliking so intensely what I say that we might draw you together, which, after

all, is the object of the exercise.

Clearly, as we all know, one of the biggest problems facing almost all of the industrial countries since the war has been how to reconcile the goal of high employment with the goal of stable prices. And, over the last decade, each time full employment has been approached, the Western world has been confronted with rising prices. The problem is that this period of rising prices seems to be setting in at successively higher levels of unemployment. This happened in 1973-74, when unemployment rates were 4 or 5 per cent in most countries. Then it happened again in 1979-80, when unemployment rates were 6 or 7 per cent, depending on the country. It has not happened since, but there are people who feel that if the recovery is too strong, we will have another period of rising inflation, this time maybe starting at unemployment rates of 9 or 10 per cent. It seems to be getting worse and worse, and one wonders where it is leading to.

I'd like to talk about what one can do about this situation, and, as you will see very shortly, this leads into the whole question of social partnership and social consensus. How does one deal with the inflationary pressures that arrive as one gets closer to what might be called full employment, or at least high employment? As is so often the case with these matters, I suggest to you that there are three options, and I'd like to discuss each of these in turn. First, I'd like to say that there is a fourth option, if you like, and that is to live with inflation. However, I suggest that this is a non-option because that would mean that at each successive phase, inflation would get higher and higher, and, at least for political, if not for economic, reasons, this is just unacceptable, at least as indicated by the policies that our government supported over the last few years. So I won't consider that an option.

I should, perhaps, say first that when I talk about inflation, I'll be talking mostly about wages, and most of what I say would apply also to other forms of income. But I use wages as a shorthand term and also because wages are certainly important, if only because they make up some 70 per cent of national income. The first option one might call "wage control by high unemployment"; the second option one might call "wage control by legislation"; and the third option is the desirable one, which I will describe later. That is the option that may be available if we dislike both of the first two.

"Wage control by unemployment" is effectively what we, in Canada and in most industrial countries, have had over the last couple of years, and we're all very familiar with it. The central bank puts on the monetary brakes, interest rates rise, bankruptcies increase, unemployment rises and, eventually, it brings down the inflation rate, so inflation is controlled. One question is why we need so much unemployment to do this? One answer is that to get to the hard core of inflation, we have to make senior industrial workers feel insecure. I'm certainly not saying I recommend it. To make the senior industrial worker feel insecure, we

have to create the real possibility of plant closures. For that we need a really severe recession. So we have to cut through a lot of fat, which involves unemploying young people and people in depressed regions before we get to the point where the hard core wage inflation, inflation influenced by the senior industrial worker, is affected. Clearly, that's a pretty awful policy because while some people, not me, but some people, might blame the senior industrial worker for inflation, I don't think anyone would blame the young people and the people in the Maritimes and others for the problem. But their unemployment is the first step before we get to the people who really count in terms of wage inflation. It's not a nice policy, but it might be the reality. It is at least the reality of the last few years in Canada, and I expect if one could get Mr. Bouey into a quiet corner, without any reporters around, he would not be in disagreement with this view of the reality, which this anti-inflationary policy entails. That's not a desirable option. The question is whether there are any other options, and so I go on to Option 2.

The second option I want to refer to is "wage control by legislation". This is the anti-labour part. I certainly am not going to argue in favour of these options, but I am going to present them. I'm even going to go so far as to say that they might work and that if these were the only two options, we would then have to choose between the two: wage controls by legislation or wage controls by unemployment. The reason I say maybe they would work is because of Canada's experience with the Anti-Inflation Board from 1975 to 1978. There have been at least ten, or maybe more, studies of that experience suggesting that that program did have a very significant, substantial negative effect on wage inflation, and had that program not been there, the amount of unemployment we would have needed to produce the same inflation performance would have been very much higher. So in terms of its stated objectives, that program worked. It reduced the amount of unemployment we otherwise would have needed to control inflation. My own work on the subject suggests that the ratio of profits to wages during that period was not unusual, given that stage of the business cycle and other such factors. So the program was not obviously unfair in terms of what was called this afternoon, "the functional distribution of income" between profits and wages. One last piece of evidence, the most convincing from my point of view, is an international comparison.

In the United States (we in Canada might find this odd), the recession of the mid-1970s was of about equal severity to the recession of the early 1980s. For us, that was entirely different. If you look at the OECD statistics, for all of the twenty-four industrial countries that make up the OECD, concerning the world recession of the mid-1970s, you would find that Canada's performance was about the best of any industrial country. We had very little or no recession in the mid-1970s. Our labour force and our employment continued to grow. It is true that we did have

quite high unemployment by the standards of the day, but we also had very high labour force growth, and if you look at the total growth, the OECD figures suggest that we did about the best of any OECD country. Now turn to the recession of the early eighties, following the second oil price shock, and what do we see? We see that Canada had a real GNP that dropped by 4.8 per cent in 1982. That may not sound like too much, but it's larger than the drop of any other of the twenty-four OECD countries in any year since the Second World War, by far. So, during our recession in 1982, the drop in our GNP was incredibly large. We went from being the best performer of all industrial countries in terms of the mid-seventies recession to the worst performer of all industrial countries in the '82 recession. That's quite a change in position, and I would suggest that it bears out the impact of the AIB in the first period, in the sense that there was a program which forced down inflation through means other than unemployment. As I say, you can have wage controls by unemployment or wage controls by legislation. The first time around we had legislation and so we needed less unemployment. It's as simple as that, and the international comparison really bears that out.

I don't like wage controls, and I'm sure there are some people in this room who dislike them even more than I do. But, then, I don't like unemployment either, and there are probably some people in this room who dislike unemployment even more than I do. So far, those are the only two options, and if you have to choose one or the other, each person has to make up his mind, I guess. We really want a third option which doesn't force us to make such a choice. This is what I am coming to now.

Clearly, there have been some countries that have been able to find such a third option. They have been able to control inflation without sacrificing employment and without compulsory wage controls. So how have they achieved it? That is the first question; and, "given how *they* have achieved it, how can *we* achieve it?" is the second, the more difficult and important question.

The basic point I want to make is that some countries have achieved it. Nobody has escaped entirely unscathed, but some of them have done much better than others over the last ten or fifteen years. You need the *tools* for the social partners, to use the European term, to act in concert, and you need the *will* on their part to act in concert to make the adjustments that are required without massive unemployment because, obviously, nobody gains by creating massive unemployment. It's irrational from the social point of view. It just means that we can't put our act together if we have to go through such a period.

Let me begin with the will. The will to work together is what you could call the degree of social consensus; and I did a study where I measured that for eighteen different countries. I took as my indicator the average level of strikes over the whole

post-war period measured in either working days lost per worker or other such measures. What I found was that there was a very clear and strong relationship, after you've taken account of some other factors, between the countries with a high consensus and either a much better unemployment performance or a much better inflation performance or some combination of the two In particular, Austria, Sweden, Norway, Switzerland, Japan, Germany and Holland.

Now, my study ended in 1979. Except for Germany and Holland, that same kind of relationship has continued, I think, more or less into the 1980s. As I suggested this afternoon, I think in Germany and Holland the problem has been, in part, that they, unlike the other countries, applied rather severe budgetary cuts in the more recent period, and that has served to increase their unemployment and, perhaps, also to damage their consensus. This is not a full explanation in itself because it doesn't explain how these countries were able to deal with the problem. It suggests that they had the will, the consensus, but the other thing that is important is that they had the tools to do the job.

What one finds is that the countries that had a low number of strikes and high consensus are also the countries that had some form of synchronized or centralized wage bargaining. These are the tools; that is to say, faced with some shock to the economy, one can have co-ordination. One can make a concerted agreement to scale down inflation or to take whatever actions are needed from a national point of view. Whereas we, in Canada, don't have those tools; even if we have the will, even if every union person, every company person was terribly friendly with each other, we simply don't have any mechanisms to achieve concerted action because all of the decisions are taken at different times at a very decentralized level. We don't have the tools to do the job.

The countries that have done well have been the countries that have both the *tools*, that is, synchronized or centralized wage bargaining and the *will*, that is, the high consensus. I think that is more or less a fact. But the question, "so what?" arises. What does that imply for us? That is the more difficult question because we may all agree that Sweden and Austria, and so on, have been successful for these reasons, but we may still wonder what we, in this country, can do. I looked at this, and I wondered what was the really important factor. Was it the tools, the centralized or synchronized bargaining? Or was it the consensus, the will, that was the critical factor? And this is hard to know because they are inter-related. But I think it is more the will that is important, the consensus, because you can find countries that have tried to impose these tools without having the consensus, and they haven't, necessarily, done very well. I'll give you a couple of examples. Australia has a high strike rate, low consensus, but also centralized wage determination through its indexing system. It hasn't done very well. Or to put the question a different way,

suppose that we, in Canada, were simply to follow these European countries and Japan and try to impose centralized or synchronized wage bargaining here. Suppose we could do it, we probably couldn't, but suppose we could, would it be a good thing? It is not at all obvious that it would be if we lacked the underlying consensus that makes it work in Europe and Japan. Think of Quebec. There was highly centralized bargaining in Quebec. Not fully centralized as in Sweden, but very centralized. That was a bit of a disaster. Think about the U.K. If England had one big union or two big unions like Sweden, would that be good? Well, it would be if they could agree. But it could also just lead to one massive general strike. If you don't have the underlying consensus, I'm not at all convinced that copying these other countries' instruments is not going to do you more harm than good.

Where does all that lead us? Well, it leads us to the idea that it would be nice if we had a better social consensus. But how do we do that? I don't really know. How did the other countries do that? Well, some of our guests will know better than I because they are from those countries. I can suggest one or two things. It generally seems to be the result of a crisis. Sweden, Norway and Holland had the highest strike incidence in the Western world in the 1930s, and they seem to have reached a crisis point in labour/capital relations in the thirties when they came to some accord, and, since then, they have had virtually no strikes. Germany and Japan suffered a great defeat in the Second World War, and they had a new set of industrial relations semi-imposed upon them; but they started from scratch. They have done well. Switzerland has done well; but Switzerland is Switzerland and I don't know very much about it. Those countries, all, in one way or another, dealt with some kind of a crisis which seemed to provoke the change, and unless we, in Canada, provoke a crisis or have a crisis, it's not evident that we can achieve that the same way that they can. I am somewhat less optimistic, I must say, than I used to be when I first looked into this question. But if one gives up, then one is left with Options 1 or 2, and those aren't very good, either.

What one has to do is to gradually try to build up a consensus, and if one can find the will, then the means will follow, and I suppose that's what this group is all about. But I am less optimistic than I was in terms of any kind of quick or easy solution to problems of this kind. Let me end with one example of how not to build consensus. This is the part that might be interpreted as anti-business. I think, if you look at the successful countries, it's fair to say that where there's been a high consensus, there's at least been a willingness to respect each other's vital interests or a recognition of the legitimacy of the other social partners. What strikes me as not contributing to the building of this important consensus in Canada are the recent proposals by the Business Council on National Issues (BCNI) on the subject of deficit reduction. There's been a recent report, and also a lot of publicity,

particularly by leading bankers, on the issue of the deficit, and I read this report quite carefully. It recommends cuts on the order of five, six or seven billion dollars per year, in the federal deficit, beginning next year. That's a huge amount, and it's proposed to occur almost immediately at a time when unemployment is over 11 per cent, and, to me, at least, it seems perfectly obvious that that would have a negative effect on jobs, a positive effect on unemployment. Nowhere in the report is that even acknowledged. The reader of that report can be forgiven if he comes out with the impression that business doesn't really give a damn about unemployment. Now, I don't really think that is true. What I'm saying is that I think there is a long way to go if we, in Canada, are to achieve the kind of consensus that seems to have served the more successful countries very well; and I think it's a very positive sign that there are meetings and groups such as this that are trying to achieve it. Looking at my Options 1, 2 and 3, the stakes are really extremely high. It's not for me to say what's workable in Canada, but I can analyse other countries. But it's up to you, the people in the field who know what's practical, to say what can be done in Canada, and that is the most challenging and important task. I'm really underlining the fact that I think that the stakes are very high, and therefore I wish you the best of luck. So, thank you very much.

5. Discussion on the Canadian Perspective

Russell Ramsay

Dr. McCallum, I have a feeling that the reason I was asked to chair this meeting tonight was so that Tim Armstrong could take part in the discussions rather than try to referee them.

Brock Smith

Professor McCallum, at the end of your talk, when you were referring to the BCNI study, I thought you were suggesting that any cut in government deficit levels at this point in our economy was going to have negative implications for job creation or job levels. If you didn't suggest that, it's certainly something we often see referred to in the press, where anything related to a cut in government deficits is automatically equated to a cut in some sort of fiscal stimulus. Economists put a job number on this and then the story reads, "Two billion cut in government spending leads to so many jobs eliminated from the economy." This afternoon we heard from two economists in Europe who, I thought, were saying the reverse: that Western European, and possibly North

American, economies had reached the point where further increases, or even sustained levels of government deficits in Canada, the United States and elsewhere, could lead to further erosion of employment and growth. If we seek real job creation in the long run, what we have got to look at is reducing deficits. One of the problems in reducing government deficits is that every time you take a short step towards a lower deficit, you are told that you are costing jobs and increasing unemployment. You, as a government, are told that. Do you see short-term reductions in government deficits as creating unemployment or reducing it?

John McCallum

Well, I would not like to put words into the mouths of our European visitors, either, but my impression was that one of the two of them is on the same side as me in saying that, at least in the short run, when you reduce the deficit, you cut spending and raise unemployment. Now, Sweden is in the remarkable position of having achieved 10 per cent reduction in real wages without any increase in unemployment. In other words, the workers have been willing to accept that. How do they do it? Well, you could ask our Swedish friend; they may have had some budget cuts, but at the same time I think that on the Swedish side they agree with my view that in the short run, the direct negative effects of a spending cut on aggregate demand is to reduce employment.

Brock Smith

If I could just make a supplementary point. Surely that's what Canadian government policies have been doing for the last two years: increasing the deficit and devaluating the currency, yet that hasn't had a positive impact on employment.

John McCallum

But had they not done it, we would be in a worse situation. I think it's very difficult to come up with a negative multiplier, particularly in the Canadian context. We are getting into the whole area of fiscal policy, but let me just say, since I was asked, that we could look at the costs and benefits of a large deficit cut at the present time. Clearly, the direct effect of that would be to reduce employment. On the positive side, and this is partly based on my discussion with our German friend, you may have some effect on interest rates. In Germany you might, but in Canada you won't, not very much, anyway, because we're in the North American capital market. If you don't get much effect on interest rates, you're not going to get much increase in investment. You may even get the reverse because the budget cuts will have a direct negative effect on employment; and as they're not going to do much to interest rates, the demand will be down, and companies

may well invest less. The other possible offset is through a confidence effect. That's a bit of a wild card because we don't know how to measure that. It may be that West German business people react to budget cuts and deficit reduction by investing more. But I don't think that the evidence from Anglo Saxon countries bears that out. If you look at the United States, the biggest increase in the deficit was accompanied by massive increases in investment. You look at British big budget cuts and resulting poor investment. The big deficits have not deterred American investors. I don't think that there is likely to be a big confidence effect here. That is why I think that, in the short run, budget cuts will reduce employment, and if our priority at the present time is employment, I'd be opposed to big budget cuts at this time.

Russell Ramsay

I'd like to turn now to the other true Detroit Tiger baseball fan here tonight, and that's Cliff Pilkey.

Cliff Pilkey

You mentioned two options: wage control by unemployment and wage control by legislation, and you said that there was a third option, but that those were really the two options we had, and we had to make a choice. I guess what bothers me is that you're really saying, but perhaps I'm being somewhat naive here, that we are in economic trouble and, therefore, somebody has to make a sacrifice. What bothers me is that it hasn't been proved that the workers got us into our economic mess or that the responsibility for economic problems ought to be shifted onto the backs of the workers. Now, if my assumption is correct, it was not the workers who got us into this difficulty. Why, in God's name, do we have to exercise either one of the options?

John McCallum

Okay, but if we don't do either of the two options, then what do we do?

Cliff Pilkey

Well, I think that, first of all, we had better find out who the culprits are and shift the blame from the backs of the workers. There is no question that someone else got us into this problem in the first place and, therefore, they should have to pay the price. My prejudice is coming through, but, nevertheless, there has been no evidence that it was the workers that got us into that difficulty. Now, I think that we've got to identify where that responsibility lies and then, in a consensual way, bring the players into the main stream and find a solution to the problem without resorting to wage control by legislation. That puts the burden onto the backs of the workers without their being consulted on what action to take.

John McCallum

I'm with you if you can come to a consensual solution to the problem and avoid Options 1 or 2; then you are into my Option 3, which is what I said is obviously the best. In terms of who is to blame, I don't think workers are to blame. I don't think companies are to blame, either. I don't even think governments are to blame. I think what is to blame is a change in the world economic situation. Our productivity is growing less, and this applies around the world, not just in Canada. We have to save more for oil, that's universal. The pie is growing less fast and we have to adjust to that. Nobody really wants to give up his real income, and the fight to protect one's position leads to inflation, and that calls for a solution. So it's not any one person's or group's fault. It's a problem that's confronting the world's economy, and the problem is how to deal with it. So, I'm not, for one moment, saying that it's the workers fault, but I wouldn't agree that wage controls actually hurt workers. I think they hurt unions because unions don't have much of a role during wage controls. But I don't think they hurt workers, except, maybe, some union member workers, at least at an aggregate level.

Sean O'Flynn

You are getting at a very important question. When you say that wage controls don't hurt workers, you are thinking as an economist, not as a worker or a trade unionist. Economics is the dismal science, but trade unionists talk about fundamental things like rights. Of course, trade unionists are romantics, as Tim would say. At least, he would say that referring to me! Trade unions don't operate on the same level as you, an economist.

John McCallum

I agree with you because I said it would hurt trade union leaders in the sense that one of the major functions of unions would become redundant. If one believes in collective bargaining, one will be dead opposed to wage controls, whatever the effect on workers' wages relative to profits. And so I agree with you.

Sean O'Flynn

You are suggesting that this is only the concern of the leaders of the trade union group and not a concern of people who are the members, and I would disagree.

John McCallum

I guess I did suggest that without really meaning to. My point is that wage controls do not, on average, and in the Canadian context I don't think did, necessarily shift income from workers' wages to profits, although, undoubtedly, they did in some cases. But they did virtually destroy collective bargaining for that period. The cost was not necessarily borne by workers. The main impact was on the role of collective bargaining and everybody in

the country who doesn't really like the government ordering us around to such a degree. That applies not just to workers but to companies and individuals. That's the real cost of controls. But that has to be weighed against the cost of what we've been going through since 1982, and if we can get Option Number 3, that's very good. If it's a choice between Option 1 and Option 2, we are choosing between two evils. The choice is not as obvious when you recognize them as two evils. That points all the more to working towards Number 3.

Wally Majesky

We, in Canada, have tackled inflation relatively successfully, not because we did such a great job, but because we followed the United States. As a result, we have brought our inflation down fairly substantially. I heard our European colleagues saying that inflation is a very bad thing, and we agree, so we have been relatively successful. The price we have is about 11 per cent unemployment. If you want us, at some level of the trade union movement, to be social partners, and then we find that on the one hand we have high profitability and on the other hand we have public expenditures cut and our wages frozen, tell me what are the indicators of good faith so we can say to our membership, "Listen guys, believe us because we have it from very good authority in Europe that profits should be higher, wages should be frozen, medicare may have to be cut back." If you want to see any kind of social contract in this country, someone had better answer that question because we cannot sell a pig in a poke, which is called good faith, unless we can articulate that. I'd like to hear someone tell me how to sell that to our constituency. This may be a good get-together, but unless we can answer that question we will be here until hell freezes over, and you are not going to see any kind of a national consensus in this country.

John McCallum

You shouldn't point the finger at me on at least two of those three things because I never said that Canadian profitability is too low. I don't think it is, other than the cyclical effect of the recession. But in 1981, Canadian profitability was very high. In fact, Canada was about the only country in the whole OECD that had an increase in profit share between 1971 and 1981 and in the sixties and the late seventies. Apart from the cyclical effect of the recession, which was very important, I don't think Canadian profitability is too low. Second, I'm certainly not arguing for big budgetary cuts. In fact, I said just the opposite. The third point: I do think there has to be some degree of wage restraint to keep everyone to nominal wage increases because, otherwise, if we do have a recovery, and inflation gets out of hand, we're going to be back where we started. I think you have to sell your membership on some means of achieving nominal wage restraint, yes, but I'm certainly not trying to urge a shift in shares as the Europeans are,

and I'm certainly not arguing in favour of big budget cuts. So, on two out of three, I'm with you.

Fred Pomeroy

Professor McCallum, I'm with you on many of the things you said; but I'm worried that I must be getting weak on Sunday nights to agree with an economist. I think there are more reasons than just the international economic situation that you mentioned for wanting to look at Option 3. I happen to believe that, even though we've got a lot of good things and interesting things going on, we've got too many people falling through the cracks and too many people being left out of the system that we've got operating now. I'm not suggesting we throw everything out the window, but there is something fundamentally wrong with what we're doing. I agree with you, it's very hard to get Option 3 under way given the dynamics that are going on today. You mentioned strikes. Tomorrow I'm going to have to leave early because we've had 850 people on strike in Newfoundland since July the 5th in a recognition strike. We've had umpteen other recognition strikes in our union, and I think every other union leader around the table has had all kinds of recognition strikes. This is not so much a question as a suggestion, but the two Detroit Tiger fans here could, in a moment in the washroom, probably prepare adequate legislation to get rid of that problem, and if strikes really are one of the impediments to getting to Option 3, they could do an awful lot to solve the problem. A large number of strikes in this country are recognition strikes.

John McCallum

Well, I will leave that to the two fans. I used strikes as a general indicator of a degree of social consensus. It doesn't follow automatically that if you reduce strikes *per se*, you will do better.

Fred Pomeroy

If you are having a lot of strikes over recognition, then that means that the one party believes that they can beat the other in the streets and that they are going to put them out of business, and, therefore, they have no real intentions of getting to Option 3.

John McCallum

Yes, I agree.

Dave Patterson

Well, I would like to address myself to the speaker as somebody who is half with me and half against me. In 1975 I was one of those workers that decided that the best way to handle wage control was to shut the country down. I didn't do it because I was greedy, I did it for the philosophical reason that to control my wages, when I thought I wasn't making enough to start with, was pretty unfair when people I had worked for had no restrictions

on them. I challenge your analysis that there was really no increase in profits between 1975 and 1978 as compared to real wages because I seem to recall that the media and the government gave very clear notice that, during 1975 to 1978, there was a dramatic increase in the profits with which the corporations were able to feather their own pockets. After that, everybody dumped on the labour movement because they wanted to catch up. So what had happened? Who ever told you that the labour movement was opposed to wage controls? We're not opposed to controls, we're opposed to controlling one sector of society. I find it very ironic that an economist who is supposed to be the clean and legitimate part of the economic structure in this country would take such a dim view of free collective bargaining.

John McCallum

I never said I took a dim view.

Dave Patterson

Well, I think you did. I think you gave us two options that were totally unacceptable in terms of the labour movement. Nobody in the labour movement has ever been opposed to a social contract. But I'll tell you what we have been opposed to. We've been opposed to being set upon as being the cause and part of the solution for the whole problem. Some of my colleagues in the labour movement might not agree with me, but I would enter into a social contract tomorrow as long as I knew the contract was an honourable one. But if you think that I'm going to enter into a contract which makes me subservient to any other part of society, I suggest you are drinking something a lot stronger than brandy, because I have no intention of doing that. I think Wally Majesky's comment is very true. I represent a segment of the working class of this province, and I'm proud of it. I think the free market is taking care of collective bargaining. You don't have to worry about wage control. I think that our concern in this province and in this country is just as legitimate as the concern shown in West Germany and Sweden; we have a natural concern about jobs. That concern is based on legitimacy. It is hard for us to achieve that when we have the more affluent part of the society telling us that we're part of the problem and that we should be part of the solution. I have a real problem with some of the things you, as an economist, said. "You're the problem and you're the solution. If we control you, we don't have to worry about anything else." I have a hard time believing that you are half with me and half against me. I have the feeling that you are riding my back, just like the Ontario or federal governments.

John McCallum

I'm not saying that you're the problem, but I'm saying that you have to be part of the solution if only because you make up 70 per cent of the national income in wages. I'm not saying that the AIB,

as it was constituted, was fair. I'm saying there is no detectable influence on the share of wages compared with profits. I'm certainly not holding any brief for that particular program, but I think that something like it is Option Number 2. I'm saying I don't like it, and I'm saying it is highly detrimental to collective bargaining. That is one reason why I don't like it, and I'm sure that you dislike it for the same reason, but with more intensity than I do, because you are in that field. One might be able to come up with something that is more fair in terms of its impact on different forms of income. One might even, and this sends us into Option Number 3, be able to come up with something which fulfils the same kind of function as the AIB, that is, scaling everything down, not only with greater equity with respect to the different forms of income, but also on a voluntary basis, and that would be the ideal. There you and I seem to be agreeing in the sense that you said you would sign a social contract. So I agree with you 100 per cent. That's why I say I wish you good luck, sincerely, because I honestly think that's the best way to go. I think if you don't succeed, then we're stuck with Option 1 or 2, and by 2, I don't mean a replica of the AIB, I mean perhaps a different form that would be fairer. If we can't get our act together in this country to have business and labour come to some voluntary agreement the way they do in Sweden and Germany, then what alternative is there to some form of legislation? Unless we want to go the route we went in 1982 and 1983 with massive unemployment.

Dave Patterson

Some of that is not true. Industry and labour in a number of sectors can get together much better than the government and its own employees can. That's the irony of this province. What bothers me, Mr. Minister, is that we still have to argue about the basic fundamental rights of people who work for you. They are your employees. We want to talk about changing the whole social structure in this province, and yet we can't even agree on what our own public sector employees should get.

Sean O'Flynn

I think Dave has a point there, a point which I've made from time to time. The labour movement is made up of both the private sector and the public sector. It's all very well for the government to make its deals with the private sector, that's fine, but there's another part of the labour movement. I think the private sector is with us in saying that we can't make fish and fowl out of one and the other. We have some legitimate concerns, as John was saying, about controls. Wages are only one part of the equation. There is the matter of dignity, meaning that you in the public sector are treated like other workers. That means that you can bargain for things that other people can bargain for: training, retraining, the

length of probationary periods, pensions, employment, complements. I have a list, that's so long that I cannot remember it all, of what we cannot bargain for under legislation which governs the relationship between the government and its own employees. I put this to you seriously; if we're talking about some kind of social contract, those issues have got to be addressed–alien though they may be to the traditions of the particular party that has been in power for forty years. They're not used to employees who stand up and say, "I want these rights, — I want them and not the materialistic things you give to us." Their answer is always, "We're looking after you." So, Dave, I agree with you that we're here for a dialogue about things that are important and fundamental,and I say to you that this is an important element if you want a dialogue with the trade union movement because we are a very large part of it. Our voice will not go unheard within the labour movement, so how you treat us will reflect the kind of dialogue and the kind of accommodation that is made.

Bill Macdonald

There was a long stretch in which we had something close to full employment and a reasonably low and stable rate of inflation. Whether or not it reflected social consensus, we did have that long period of rising incomes and growing public services. I am convinced that the first order of priority will always be — with or without consensus — that we have something that we might describe as the right macro-economic policy in terms of fiscal and monetary policies and adjustment policies, or more likely the absence of any adjustment policies, which governments seem to like. It appears to me that it's much easier for the social partners to behave in ways that are non-inflationary, and that do not require either of the first two options if there is a disciplined macro-economic framework within which the partners are operating. I don't think that, in this country, nor, perhaps, in many other countries, there has been that kind of framework for probably fifteen years. I think it is extremely difficult for the micro-players to operate in a manner that is going to enable us to avoid either of the first two options when they are operating under dysfunctional macro-economic policies.

John McCallum

To some extent, I agree. (At least, if my starting point was zero I'd agree). But the problem is, that to get from where we are today to what you call a sound policy requires massive cuts. If you don't define what you mean by sound policies, how can I answer your question?

Bill Macdonald

I'm asking you. It seemed to me that we've had it. Not one word of the discussion that we've had has been related, until right now, to the macro-economic policies that have been pursued by

the national government of this country for fifteen years. To conduct this discussion without any reference to that is misleading in the extreme, and to have no opinion of how we might handle macro-economic policies that enable the social partners to understand what the issues are in their particular market places, whether it is the collective bargaining market place or the pricing market place, is, simply, to be talking about nothing.

John McCallum

You don't have to worry; I have an opinion. Let me first say that it is true that we had, as you suggest, a number of years of prosperity, no inflation and low unemployment. That period lasted from the post-war years to the early 1970s. But it is no longer clear that that situation can be considered the norm. If you go back to the thirties and twenties, and even further back still, you will see that the world suffered great economic difficulties without any of this government interference and massive deficits. Take the Depression in the thirties, for example. The point that I'm making is that sound economic policies are not a sufficient condition for sustained growth without inflation. It may be that the fifties and sixties were the special case and that the rest of the times were more normal, rather than what you appear to have been suggesting. But apart from that, I think what constituted the most critical change in the 1970s, and what made our performance so much worse, was the rise in energy and other commodity prices. The decline in productivity growth, which occurred for reasons of a global nature, reduced the rate of growth of the total pie. This created a struggle amongst the various people to protect their shares, and that led to the inflationary spiral and our subsequent problems, which were dealt with much better by some countries than by others. Now the role within that overall context for Canadian government policies is, I would argue, rather minor. In North America, our own policies have a rather limited role. I would also argue that our fiscal policies are not particularly unsound in that the deficit may be high now, but much of that is a cyclical deficit. To the extent that one believes the financial projections, and I know that you don't, they do suggest the levelling out of the national debt ratio to something approximating the long-run average. So my answer to you is that the fifties and sixties might have been special, and therefore sound fiscal policy in this country is not a sufficient condition, and that the policy we have right now is not as unsound as some people would lead us to believe.

Gordon Fisher

Mr. McCallum, whenever anybody offers me three options, two of which are unattractive and the third seems difficult, I find myself asking whether, in fact, all the options have been enumerated. I'm not sure that I have a clear view of the labour

movement, but it does seem to me that, measured by the percentage of Canadian workers who are involved in it and by its inability to create a cohesive central force, it is a weak labour movement. Looked at another way, when I, as an employer with eighty labour contracts, experience the kind of thing that happens at the collective bargaining table I can, in my least happy moments, see the Canadian labour movement as a strong movement because when I look at the legislative framework, the laws that govern the process of collective bargaining, the people on the other side of the table seem to have much of the law on their side. It crosses my mind that it is possible to contemplate a package of legislative changes in Canada that would strengthen the labour movement where it is weak and weaken it where it is strong. That's not exactly voluntarism in the sense of getting together and agreeing, but neither is it controls in the sense typified by the AIB, which would stipulate ceilings and effectively short circuit the collective bargaining process. When I look at your description and the description we had earlier today of what goes on in Europe and Japan, it seems to me that the differences are not just matters of will and structure, but are also matters of legislation. I wonder whether you'd care to comment on the possibility of four options. And if I can think of a fourth, there may be a fifth and a sixth. But just sticking to my fourth option, would you comment on the possibility of a package of legislative changes that do not encompass controls and that do not encompass the details of your third option?

John McCallum

We may not have to apply any of the three options if we enter into a period of sustained, non-inflationary growth such as we had in the fifties and sixties. The problems I talk about arise when we start to have inflationary pressures as we get high unemployment. We may be lucky, but I'm not convinced that we will be. Now, your "fourth option", if I understand you correctly, is to change legislation in such a way as to weaken the unions in certain respects. I didn't quite understand. What kind of legislation do you have in mind?

Gordon Fisher

Well, I find it easy to contemplate a series of — I'm not advocating, let me make myself clear — legislative changes that would weaken the power of labour unions at the bargaining table. I find it equally easy to contemplate some legislative changes that would make it easier for labour unions to come into existence, to organize to deal with Fred Pomeroy's problem, so that the number of Canadian workers within the labour movement would increase. I find it easy to contemplate some further legislative changes that would fix the Canadian labour movement in a more formal way in the process of arriving at macro-economic policy.

I'm simply saying that it seems to me that there is a package of changes that represents a fourth option.

John McCallum

Well, certainly those variables could enter into my options. I am not sure that they are a separate option. For example, by reducing the bargaining power of unions, you may make unions less powerful, and that might increase wage flexibility, which might reduce the amount of unemployment needed under Option 1 to control inflation. Changing legislation in such a way as to induce greater union participation might make Option 3 easier. So, if I understand you correctly, I think that your kinds of legislation may or may not be desirable, depending on one's point of view. They may affect the ease with which one could move towards Option 3. They may affect the level of the cost involved in both the other options.

Russell Ramsay

We are now at the point in our program where we are going to ask our other special participants to comment in conclusion. The first is Joshua Gotbaum.

Joshua Gotbaum

The group doesn't know my background, but we will worry about that tomorrow. Let me say, so you can properly assess my biases, that I am tainted by association with labour unions, business managements and government agencies. I've got to say, Professor, that the thing that strikes me as a small-time observer and a smaller-time participant in consensual organizations, is that you've managed to compliment this group in the most left-handed way possible. What I hear you saying is that difficulties across institutions can be reduced only by the kind of communication that this group involves. That's an incredibly important point, and I want to follow up on it. I think the nature of the group determines, fairly clearly, what you can expect out of it. This is, by its nature, a consensual body. Since it has representatives from democratic institutions, and since there is always the ability to opt out, it will remain a consensual body. My fear in this discussion is that members and non-members will come to think that the group can do something other than speed a consensus that is in the interest of all the parties. I think that our history, and I'll talk tomorrow about the American examples, is very clear that once we get into things that are close to zero sum games or that are not obviously consensual, institutions become not only unproductive but counter-productive because labour, management and government are forced to defend their own legitimacy instead of negotiate. This group has two functions: One is basic communication and the second is that there is room for the possibility of negotiation on policies that you have to deal with. There is a fear, at least to those of us who think these

groups are a good idea, that people will assume that this is the crucible in which you forge a national consensus, without recognizing that consensus requires all parties to want to make a bargain. I hope the notion will be avoided, particularly during consultations on macro-economic policy, from which any of the three parties may cop out and resort to other activities, whether they be strikes or negotiations on the part of the unions, or lockouts or industry-wide action on the part of industry, or governmental actions that do not respect the interests of specific industries. Everybody has other options, and they will continue to exist whether groups like this are effective or not. To my mind, the best you can expect, at any given point, is to facilitate agreement where it is in everyone's interest. Over time, the process of agreeing may enlarge the areas where institutions understand their commonality and can act upon it because the other folks who are now at the table come to understand that you're taking care of their interests, too.

To say that this group is capable of imposing wage/price controls at any stage in an equitable manner or of solving these problems when there is no fundamental consensus and when it is in the interest of many of the participants at this table to walk away from negotiations is seriously optimistic.

Bernhard Molitor

I have not enough experience and knowledge of Canada to comment on the particular Canadian situation. I wonder, however, if one of the major differences in this discussion, and maybe also in this afternoon's discussion, is the time horizon. There is the rather short-term view of one, two or maybe three years, and there is the European view, which is more inclined to have a longer time horizon. How can wage earners be better off in real terms and how can employment be increased to stimulate demand over the long-term?

My impression is that trade unions should also adopt the long-term view. This has nothing to do with a wage freeze or anything like that. We need changes in wages — also in relative wages from one sector to another between the unskilled and the skilled. We certainly cannot base our policies on the assumption that the present wage structure is ideal for the future in terms of creating new employment and allowing for the necessary mobility. But I am always very cautious about using the word "flexibility", when the meaning is only downward "flexibility". Flexibility must be in two directions, particularly concerning the changing of wage structures.

With respect to agreement on budget cuts, taxation, etc., I imagine that you could do something like that. I personally would do it more on the taxation side. From a purely cyclical point of view, when should one correct high and unsustainable budget deficits, if not in the period of real growth? Certainly you can't do it in a downward movement. There, anyhow, you have

to have the automatic stabilizers of the budget deficits. Finally, why are we against unsustainable budget deficits? Not because we were born in Scotland, because it would be a virtue, but because we know that they are unsustainable. The fear that comes from unsustainable budget deficits is exactly because it is counter-productive for employment. This is why the Europeans are so afraid now of budget deficits, particularly our French friends, who are even more orthodox in this field than we Germans. One last remark: I do not believe that there is a simple recipe to solve the employment problem, such as cutting real wages. What we need is a growth process for which many different things will have to be done. We need flexibility, and not only flexibility in wages; we need de-regulation and more room for private initiatives. From the private enterprise sector we need more dynamic attitudes towards private investment.

Michael Sohlman

I only want to make two short comments. First, to make clear what I said earlier today that in Sweden we're not talking about further real wage adjustments; what is important is to get nominal wage increases down. If we achieve that, there is, according to our analysis, room for increases in real wages. My second observation, which is aimed at Professor McCallum's discussion, concerns the choice between the three strategies; and there, of course, I think the institutional framework is extremely important.

It is a much harder thing to try to achieve consensus, for example, in a system with a low percentage of labour organization than it is in one with a high percentage of organization. I come from a country where 90 to 95 per cent of labour is organized. The unions and the union leaders are aware of, and have to take into account, what happens at the margin. They have to look to their weakest members when it comes to employment and the cost of labour. Second, union leaders in that position are able to negotiate and deliver. It is very important that they can be effective partners in the dialogue between the social partners.

John McCallum

I agree with most of what the three speakers have said. Just two very quick comments. First, if ever there was a case of something that was not a zero sum game, it is the benefit that society can derive from learning to control inflation without huge recessions. This is *not* the zero sum game and there should be *every* incentive to try to improve our handling of this particular problem. Second, "long run, short run". As Keynes said, "In the long run we are all dead." I guess I am a bit Keynesian; therefore, I do have this "short run" bias, but, at the same time, I would say that, in terms of budget deficits, I am not convinced that Canada is on an explosive path. To the extent that one believes the Department of Finance projections, we're heading towards a levelling out of

the debt ratio at a sustainable level. Opposing budget cuts is consistent with wanting to prevent a short-run rise in unemployment, but I'm not convinced that it's inconsistent with the longer-term need. On that note, I thank you very much.

Russell Ramsay

Thank you, Dr. McCallum, and thank you ladies and gentlemen. I'm not going to apologise for keeping you late because the discussion was so interesting, and I know tomorrow will be just as stimulating. Thank you for your attention and your participation.

6. American Experience

Mr. Joshua Gotbaum

Tim Armstrong

Mr. Gotbaum is with the investment firm of Lazard Freres in New York City, where he is an associate in the merger, acquisitions, and corporate finance section of that well-known, indeed, since the activities of your senior partner, now famous, firm. He has an impressive list of credentials, and I will list some of them. He is now assistant to Felix Rohatyn on public matters and, in fact, edited the Industry Policy Study Group report, which appears in the materials that you have. He helped design the largest employee buy-out in Weirton Steel, representing, and this is unusual, both labour and management in that transaction.

As financial adviser he also represented both union and management at Eastern Airlines, and let me just spend a moment on his previous experience. He was chief analyst and budget legislative assistant to Senator Hart in 1981. He was associate director for economics on the White House Domestic Policy Staff in 1980, and was responsible to Stuart Eisenstat. He was responsible for White House Staff work on economic revitalization, steel, budget and trade matters as well as being executive assistant to Alfred Kahn, adviser to the President on inflation in 1979. During that period he worked with the Wage Advisory Committee, chaired by Professor Dunlop. He held various positions on the White House Energy Staff in the Department of Energy from 1977 to 1978. He is a Doctor of Jurisprudence, having graduated from Harvard Law School, and he has his undergraduate degree from Stanford; he is also a Master of Public Policy at the Kennedy School of Government at Harvard. So, as I say, those are impressive credentials, and he is well qualified to talk to us this morning on the catalogue of recent U.S. initiatives in the consultative area.

Joshua Gotbaum

Well, I should start by saying that I first heard of this conference Friday evening, therefore, my remarks are going to be significantly less structured than I would like. I apologize for this. Part of the blame can be attributed to the exigencies of time and to the fact that my friend and occasional colleague, Lou Kaden, waited, as usual, 'til the last minute before he scurried off to such trivial matters as advising Walter Mondale. What I would really like to do, if I may, is to catalogue the kinds of tripartite bodies that have been set up in and around the American government during the last ten years or so. They are primarily, but not exclusively, organizations set up by Democratic administrations. I will advert to that later. I will then draw a few, very limited, conclusions and leave to your questions many of the details and, probably, a fair number of the conclusions.

First of all, let me say what I'm not going to talk about on the assumption that you've already dealt with it. I am not going to recount the history of how John Dunlop created bipartite labour/management relations institutions in America. I understand he's talked with you, and I think it is fair to say that, since he has been intimately involved in every single one of the major labour/management committees, he covers the universe, and the lessons he draws are probably as much as I could contribute to that discussion. Secondly, I am not going to spend a great deal of time talking about labour/management issues *per se*. I'm going to limit this catalogue to tripartite organizations whose primary focus was governmental policy. There are two reasons for this: One is, again, that on anything involving labour/management, John has covered the waterfront; and, secondly, because, in America — except for times of severe inflation when we're talking about wage and price controls — the federal government has generally abstained from labour/management relations, except for the occasional attempt to correct the basic enabling legislation to make it either more pro-business, as was the case recently and in the late forties, or more pro-labour, as happened in the sixties and the thirties. So, my focus is basically those times when groups of labour, business and government officials come together or have been called together or when it has been proposed that they be called together to affect in some way, government policy. There are three such institutions that I would particularly like to talk about.

One is the Steel Tripartite Advisory Committee, or STAC, which was set up by the Carter Administration to bring the participants in the integrated steel industry and the government to the table to discuss a variety of issues. The second institution that I want to discuss briefly is the Economic Revitalization Board, proposed by Jimmy Carter in 1980. Lastly, I want to discuss the activities of the Industry Policy Study Group, which was not a governmental group but primarily a group of out-of-power Democrats planning what they might do if they got back in. I will advert to some other experiences, but I will first talk briefly about those three, just in terms of structure and membership and so on.

After the Carter Administration had lifted its trigger price mechanism, it became clear that the Administration and the industry were, once again, headed for a collision over trade matters, in this case, trade/labour relations and tax initiatives. So, with the co-operation of the United Steelworkers of America and the senior officials of the integrated mills, the Steel Tripartite Advisory Committee was convened. It consisted of the Departments of Labour and Commerce and of the head of the Environmental Protection Agency, which is a major cost factor for steel, plus executives from integrated companies, not mini mills, etc. and the heads of the United Steelworkers and some other union representation. The group was, first of all, articulated and

had sub-committees, composed of non-members, that spent time studying individual subjects: capital formation, environmental protection, etc. It had staff. It engaged in relatively long-term studies, spending about a year and a half cataloguing the condition of the industry, assessing the magnitude of its economic requirements and reviewing the trade situation. I think, however, that it is fair to say that the government probably would have avoided allowing the matter to come to a head had there not been a fairly severe crisis, both in the steel industry and in the American economy generally, in 1980. While the STAC process was going on, there was a parallel set of negotiations, essentially between the committee members, primarily the Secretary of Commerce and the head of U.S. Steel, over whether or not the federal government would re-instate the trigger pricing mechanism. When it became clear that some form of deal was going to be necessary, the committee completed its work, which was a recommended series of packages that involved some trade protection, the trigger price mechanism, some tax measures in the form of accelerated depreciation, and some environmental relief. These recommendations were then shipped to the White House, where they landed in the lap of my boss, Stuart Eisenstat and myself. There was only one problem. The environmentalists, who were not represented on the Committee, were surprised to discover that the Committee, in making the compromises on the environmental areas, had compromised their interests away without notifying them. We therefore spent a bit of time recompromising the issue.

The result was an election-year package that was enacted into law after the Reagan Administration came into being: a re-instatement of the trigger price mechanism, in other words, the trade package — a tax package for the industry and for certain forms of environmental relief, conditioned explicitly upon capital investment in the industry. The reason I mentioned this is that it is the only instance that I know of in the annals of any labour/management/government committee where any governmental action was expressly conditioned upon action by industry. One of the structural deficiencies that we frequently find in these things is that there is no notion of *quid pro quo*. These committees are, basically, bodies whose purpose is to advise the government about what labour and business think the government ought to be doing and to seek agreement in an essentially undirectional approach.

Later in 1980, the Carter Administration, as a result of negotiations with the AFL-CIO, proposed an Economic Revitalization Board. The Board would be composed of unspecified senior officials of government, Treasury, Labour and Commerce, senior business leaders to be picked, in essence, by the President — there was no formal business committee input — and senior trade union representatives. In America, the way that usually works out is that the AFL-CIO nominates the AFL-CIO

members, and then the Teamsters are added. Before the United Auto Workers became members of the AFL-CIO, they were added as well. Membership issues on these bodies become rather tricky because, in America, as I'm sure you know, trade unions do not represent all, or even a majority of, workers in industry; they represent only certain segments of industry. One of the issues that one has to face is what to do about representation, first, of industries that are not organized, that is if they are going to be part of consensus, and second, workers that are not organized. I will say quickly that we in the Economic Revitalization Board swept this issue under the rug and never appointed members since Carter was defeated almost immediately thereafter.

The powers that were proposed for this Board were, in essence, to be advisory to the President, but the representatives were to be of sufficient stature that those recommendations would carry weight. The recommendations themselves, however, were intended to be secret. This was a conscious decision made to make the Board capable of advising the President in ways that were not embarrassing, and to avoid making the recommendations political issues.

The only actual task given was to study the question of whether a new government financial entity was needed. The notion for the proposal of an Economic Revitalization Board was put forward as part of a broader economic package that Carter proposed in August of 1980, which included what the Administration felt was the appropriate macro-policy of the time: a modest expansion of budget, a tax cut and some micro initiatives in trade. In order to bring the AFL-CIO to the table in this case, however, there was a separate set of agreements between the government and the AFL-CIO, the so-called "compact", which involved certain matters of important and mutual concern. For example, although aid to the maritime industry was not decided, it was agreed that it was a critical issue that ought to be decided on relatively quickly. The same was true of trade matters and the steel industry. I reiterate the point because this relates, in part, to one of the structural factors in American labour, which is that American labour has much better ties to the Democratic party than it has to the Republican party. As a result, the critical issue there is usually one of collecting the Democratic party (i.e., Democratic administrations) and the AFL-CIO into the group and adding to it business members on whatever terms individual members of the business community can be brought in. In other words, the AFL-CIO is negotiating with this group, and members of business come in as individuals. There is a clear asymmetry in this, which limits the kinds of things that you can get consensus on without a great deal of consultation. The Economic Revitalization Board was going to be chaired by Lane Kirkland and Irving Shapiro, the then immediately-retired chairman of Dupont and former head of the Conference Board, which is probably our

most prestigious business lobby. No members were ever appointed because, after Carter was defeated, it seemed moot.

I mentioned these as history for the Industry Policy Study Group, whose report you have in your materials. Because what happened after Carter was defeated was that the Democrats felt that there would be a need, ultimately, for some re-examination of the issue of business and labour co-operation on governmental policies. In 1981, this was a moot subject on the public agenda, and the focus was on tax cuts, budget cuts and Reaganomics broadly defined. But a group of people thought that they should spend some time discussing those issues and flushing out proposals more carefully than had been done in the past. Felix Rohatyn, who is my boss, an investment banker and a Democrat who has ties in both business and labour, along with Lane Kirkland of AFL-CIO and Irving Shapiro, convened a group of business and labour people, primarily, but not exclusively Democratic, whose agenda was to talk through issues and get to the matter of proposals. Since this was the first multi-industry consultative group convened for this purpose, let me spend one minute talking about who the members were. The selection of the labour members was, as I say, relatively simple. The AFL-CIO is a centralized organization representing organized labour, with the exception of the Teamsters. In this case, the AFL-CIO, since it was the co-chairman, picked the labour members. Their names are given in your material. They are, for the most part, the heads of major American unions: the Auto Workers, the Communication Workers, and the Steelworkers; the head of the Industrial Union Department of the AFL-CIO and Mr. Kirkland himself. On the business side, because there was no uniform business organization and because this was a group primarily of Democrats, the process was much more happenstantial. Rohatyn and Shapiro invited a group of individuals who were sufficiently interested in the issues and who had some stature, so that they could participate. We took great pains to make sure that we had people from the more basic industries; from auto and steel, Lee Iacocca and others; and from new industries, the head of Electronic Data Systems and a venture capital financier from California were brought in, primarily to make sure, again, that the business side of this group represented the full range of industries that would otherwise not have a say on economic policies. This was an intent to be representative. What it guaranteed when we got into our discussions was that we would get into a controversy right in the room, on the business side as well as between management and labour. I would say the group consisted of Democrats and Republicans because Robert MacNamara, the former Secretary of Defence, who was a member, and Lee Iacocca, the chairman of Chrysler, claim that affiliation. I think it is also important to report that as 1981 wore on into an obvious recession, the Republican members of the group admitted to some dissatisfaction with the current proposal, so I cannot say that this was a

group that was, in general, sympathetic to the current Administration, but it was a fairly diverse group. They set it out in a series of meetings, much like yours, one or two-day affairs.

Tim Armstrong

If I can interrupt you for a moment — did politicians participate?

Joshua Gotbaum

We decided to put "no current politicians" on the Board and then we changed our minds when Senator Kennedy withdrew from the race for the presidency and, therefore, became as close to a non-campaigning official as we could find. Since it was very clear at the time that both Gary Hart and Walter Mondale were running very hard, we avoided sitting members of the House or Senate, and then Senator Kennedy withdrew and asked to be included in the group, and we accepted him. We included several former Secretaries of the Treasury, including Bill Miller, Mike Blumenthal, Bob MacNamara, the former Secretary of Defence, and Cy Vance was ex-officio. Bill Bradley who, since he was not running for the presidency and since he had managed to come down on both sides of the "new industry — basic industry" split, seemed a good choice. Unfortunately he attended only one meeting. We also convinced the Governor of Illinois, Jim Thompson, who was a Republican, to join the group, but he, after the first meeting, realized that he was getting into a controversial position, and, although he attended the rest of the meetings, he declined to sign the final report — not, I should say, because he disagreed with any of it provisions, but because he felt that he was getting drawn into a controversial agenda at the time.

Charles Hantho

What was the agenda of this group?

Joshua Gotbaum

What the three co-chairs were attempting to do, and they were very much the intellectual moving force of this, was to talk through the issues of industry as they were seen in 1981 and 1982 and figure out what was the minimum set of recommendations that a joint business and labour group could come to. As I hinted last night, the agenda was narrow and almost entirely procedural. The conclusion that the group came to was to recommend an advisory committee to the President, an Industrial Revitalization Board, if you will, which looked very much like the Economic Revitalization Board that had been proposed by Carter, and that was not accidental; after all, we had its two co-chairs sitting on the Industry Policy Study Group.

Everybody agreed that labour and management, labour and business, to be more exact, ought to be more involved in making federal policy. The issues that we had were:

- What was the form of this body?

– Where would it sit *vis-a-vis* the President?

– What responsibility would it have over the other cabinet agencies?

– Would they participate in its deliberations?

– Was this a bipartite board or a tripartite board?

We eventually came down very strongly for the notion of a tripartite board. We thought that if this were to be effective, it had to act primarily as a consulting and advising mechanism to the Executive and, to some extent, to the Congress. Therefore, we gave the Board a great deal of status, a great deal of visibility, a trivial amount of staff and no direct powers. What was proposed, in essence, was that this committee would advise the President, be housed in the White House, be given a small, high powered staff and a mandate to do only the following things: Convene meetings of industry and labour in particular industries or in industry as a whole; discuss issues; and make recommendations in private to the President.

That was essentially the only mechanism that we found we could get agreement on when we considered the dichotomy that these groups would have to face. I think it's important for the kinds of things that you're thinking about to discuss those. In order for a joint labour/management committee or an advisory committee to be useful to governmental policy-makers, its recommendations must, in some sense, be confidential. Because otherwise, it would be incapable of being a sounding board for anything other than the most motherhood of issues. Yet everyone who will be on this Board will obviously be representative of specific interests, and the business of the Board will be to discuss compromises to those specific interests. When we faced that tension, the tension that would be created by members having to represent their constituencies and, at the same time, having to advise the government on compromises, we came, very rapidly, to the conclusion that the Board needed to be capable of executive sessions. I should note that this is in direct violation of the current U.S. *Advisory Committee Act*, which requires public meetings with all federal advisory committees. Therefore, the first thing we all agreed upon was that the Board ought to be exempted from the *Advisory Committee Act*.

Having assembled this auspicious group, we felt there was no way that we could give it any additional authority. But the Chairmen felt that the Board alone was an insufficient change in government policy-making. They felt that what was needed was some additional tool for bringing industry, labour and government together. What they proposed, in essence, was a financial institution. The genesis of this idea comes from Felix Rohatyn, who learned from the fiscal crisis in New York City that government could come to the table, but that the only way it could get equal footing was to have something to put on the table, and his experience was that money worked rather well. The Board considered this problem, but I would point out that, in the case of

the Steel Tripartite Advisory Committee, the only form of government participation was the government's ability to offer trade relief and proposed changes in legislation, etc. Apart from that, it was basically a discussion between business and labour about what the industry needed.

Let me spend a second on Rohatyn's experience in New York City because I think it is, in fact, a better example of successful labour/management/ government involvement than the one at the federal level. When New York City got into trouble and it became clear that the City was incapable of resolving its own difficulties, which would involve tax increases, wage cuts for public employees, etc., the State government stepped in and set up an agency, the Emergency Financial Control Board. This was an entirely private group of individuals, reporting to the Governor, that made recommendations limiting New York City's budgetary authority and thereby providing a fiscal control. The Emergency Financial Control Board was found to be a little awkward and it was succeeded by the Municipal Assistance Corporation (MAC), which was a financing agency. This body was given authority to tap both the City's and the State's credit and to restructure New York City's debt. The MAC Board consisted of people nominated from both the labour and the business communities and people involved in the government. It was a state agency now chaired by Felix Rohatyn, who was a state employee, non-compensated.

Tim Armstrong

Was it established by enabling legislation?

Josbua Gotbaum

It was set up by a state statute, which then had to be tested as to constitutionality, etc.

What the agency was able to do, and what Rohatyn, the trade unions, the banks and the City government were able to do during the New York City fiscal crisis was to effect a compromise which involved participation by all of the groups in the city, to keep the City out of bankruptcy. The banks changed the terms of their loans, rolled over low-interest loans, took interest deferrals, etc. The City cut services and provided certain kinds of governing mechanisms, and the employees deferred wages. I would note they deferred wages on a progressive basis. The lowest paid employees deferred the smallest amounts, and for the shortest time. The result of this was that because the city's labour and business leaders were closeted together for a long period of time over a matter that was clearly a common crisis, they got to know each other much better and were able to establish some basic communication and more respect and trust than had ever been the case before.

We could talk about the New York City fiscal crisis forever. The only point I want to make about it is that out of that set of

connections arose, in my view, the only successful permanent consultative organization that I've heard about in the American government setting, and that's the Municipal Union Financial Leaders Group (MUFL). This is an established group of the municipal union chiefs, the leaders of the financial institutions in New York City and a couple of government officials, which meets on an ongoing basis with the staff to discuss matters of common concern, economic development, the City's finances, and some macro policy, although they avoid federal issues. What encourages me about that particular group is that its members, basically its business and union members, consider each other as peers; they talk to each other in ways that are far more detailed and involved than members do in the other examples I have given. The communication is much more fruitful than the Steel Tripartite Advisory Committee's was, for example. In fact, I think it was more mature than what we had on the Industry Policy Study Group.

From his New York City experience Rohatyn said, "Why not do this on a national level? Why not develop a financing agency, with both labour and management representation, that is capable of sitting at the table when business and labour restructure, and thereby bring something to the party?" The Industry Policy Study Group considered the issue, decided it liked the idea, but thought that, in America, it was too controversial to propose so direct an involvement of the government in finance. The reason most of us find this ironic is that, as I'm sure you know, government is intimately involved in finance. What happened is that the members of the business community were uncomfortable with the idea of proposing anything significant at a time of budget stringency. So, what the Industry Policy Study Group ended up doing was to propose a financing agency of a relatively small size, with five billion dollars in financing ability, whose business would be to follow the dictates of the Board in industry restructuring packages. We came to the conclusion that a new financial institution was needed, but were uncomfortable putting the proposal forward. There was not, frankly, a sufficient consensus at the time. The Study Group also considered the question of what else do you do, and realized there was a much greater agenda. But having only a total of about a working week together over the course of the year, the group said that high tech research and development was a good thing, and we all thought we ought to spend more on it, but could come to no conclusion as to how. So our final report simply says, spend more on research and development. Then there are other issues that we did not address. We did not address job training issues; we have not addressed the economic dislocation questions; we have not addressed plant closing issues — a whole unfinished agenda. The Group has published a report which, with the economic recovery, kind of sits on the shelf. It represents, at the moment, probably the furthest the Democratic party has come towards

saying what it would do if it returned to office, and the prognosis for that, I think, is a little bit uncertain. That leads me to the question of what the Republicans are doing in this arena.

I think it's important to know that even though the Republican party and the American trade union movement have enjoyed generally terrible relations with each other, and, for that matter, the business community and the current Administration enjoy mixed relations because of disagreements over macro policy, there are, nonetheless, labour/management/government consultative bodies that have existed in the Reagan Administration. They are, however, much more narrowly defined, special-purpose consultative bodies. The only two that I want to mention are the Greenspan Commission on Social Security, which was specifically convened because the Democratic leaders in the House of Representatives and the Administration agreed that the social security system's finances were in trouble, and they had to be fixed in a relatively expedient manner. In that instance, both the Speaker of the House and the President were permitted to nominate members. As a result, liberal and moderate Democrats, as well as moderate and conservative Republicans, all sat on the same committee and, over the course of the year, dealt with one issue that was considered to be an extreme crisis. The Greenspan Commission, as you probably know, has reported on a specific set of very carefully negotiated compromises that was immediately enacted into law because no one in Congress dared propose any independent measure on so sensitive a topic as this. Now, with the election campaign, people are arguing about who gets social security and who does not. But in that very limited arena in which there were a clear crisis, very common interests and the complete inability of any party to act separately, labour, government and business worked very closely together to produce the solution in a very short time.

A less successful example was the Kissinger Commission, appointed to study Central America. That was a case where, frankly, I think there was not, in the basic sense of the term, true labour representation. What I think we saw in that case, and I should emphasize that these are all my personal views rather than the views of Lazard Freres, the Democratic Party or the federal government, was that Mr. Lane Kirkland, as a sufficiently conservative Democrat and a sufficiently good friend of Henry Kissinger, was willing to participate because he believed in the substance of Kissinger's attempt at a foreign policy matter. The Kissinger Commission spent a significant amount of time attempting to develop a consensus on American policy towards Central America. Since its substance is not germane to us, I'm not going to dwell on it, except to say that the Kissinger Commission was incapable of developing a consensus on anything other than economic aid to support the development of democratic institutions. It was incapable of deciding what the level of covert activities was and what the appropriate involvement should be.

What I think is equally important is that the Democrats on the Kissinger Commission were sufficiently unrepresentative of the Democratic party as a whole to preclude any general sense of bipartisanship. And there is, to this day, no consensus on what Central American policy on the part of the U.S. ought to be.

Having taken you through this rough and tumble, certain points come out. One is that the kind of consultative groups that we have are capable of acting immediately only on relatively narrow issues, issues on which everyone agrees there must be a consensus reached. Everyone wants to reach a consensus rather than walk away from the table. However, there is always a risk in walking away from the table, and, therefore, one has to work longer and harder to develop a consensus than sometimes one anticipates when setting up these groups. Secondly, because of the different situation of labour and business in America, the fact that labour has not matched business exactly, there are serious structural problems involved in setting up any multi-industry group in the United States. There are single industry/labour/management groups, but there has not yet been, with the exception of the Industry Policy Study Group, any broad-based, long-standing governmental multi-industry group. When we get any kind of group, common consensus comes very slowly. I've got to say that I think you folks are taking the kind of time necessary to talk to each other, to develop a common factual base. Frankly, in many of our earlier attempts, we did not take the time to do that, and it becomes very central. I guess the last point I would make, which is a reiteration of the second, is that the structure here is as important as the substance. Questions of representation are overriding when it comes to compromising and discussing interests. Therefore, in setting up the Industry Policy Study Group, the Steel Tripartite Advisory Committee or indeed, in setting up any ongoing organization for any government agency, fully as much time should be spent on thinking about questions of representation, membership, placement, and relationship to other government entities as is spent on thinking about what ought to be the substantive agenda.

I apologize for this haphazard review, and offer as my only excuse the shortness of time. I would be glad to deal in detail with any of the groups that I've talked about.

7. Discussion on the American Experience

Tim Armstrong

Well, certainly apologies are not necessary. That was an extremely useful and comprehensive presentation on the very issues that I think are of concern to this group.

Wally Majesky

I'd be interested in a follow-up of the group that now exists in New York after the crisis. What would be their political agenda? What keeps them together after the crisis in the New York area? I'm very interested because there's been some attempt to set up something in the Metropolitan Toronto area, but no one knows quite what to do with economic development.

Joshua Gotbaum

What keeps them together is the sense that there are real common interests here, even though there are different interests, and the knowledge that neither side has a monopoly on either influence or wisdom. What MUFL has is a very small staff — two or three people — and the authority to draw upon its members, which include people like David Rockefeller and Walter Wriston and their organizations, Felix Rohatyn and my father, who, I should disclose, is head of the largest public employee union in New York City. What they do, in effect, is ask the staff to consider issues that they know are of common concern and upon which none of them has, at the beginning, a fixed political stance. So that, for example, the MUFL staff will review the New York City fiscal outlook in consultation with New York City's budget staff forecasters and come before the members and say, "Here is where we're going; here is what it looks like; here are the options for the City." The members do not then, by any means, come to any agreement on what policies are necessary. Obviously, the head of the City's public employees union is never going to agree in advance that the City is going to run a budget deficit before negotiations. But what MUFL does do is permit them to discuss these kinds of issues in an entirely confidential way with their peers in the other major interest groups. The City's fiscal situation was one such issue; the quality and kind of the City's economic programs, both tax incentives and other forms of assistance, was another. In that case, the staff reviewed the question for a while, and the Deputy Mayor for Economic Development spent some time with MUFL basically reviewing his progress. As to the substantive output, I can't say that as a result there are six pieces of legislation or there are four new private sector initiatives, but I can note that out of this group there is now functioning in New York City an organization called the New York City Partnership, which David Rockefeller founded

and chaired and which includes representation from both business and labour. This organization has started building housing projects in the city on a jointly financed basis, working with the former Chancellor of the City school system to bring business and labour in. So, the reason I think that MUFL is a useful example is because it shows that there is both a potential for and a value in continued communication, even when you can't get consensus. If you'd like, I can dig up some information on the organization. I'm not sure how much I can get to be disclosed, because it's not a public organization, but I will, at least, see what I can find out.

Wally Majesky

I'd be very much interested in that without belabouring it, because, for a variety of reasons, municipal economic development is very fashionable. There isn't anyone in Canada who isn't setting up something called a tripartite economic development process in the large urban areas, and so I'd be interested.

Peter Nixon

You began by discussing the steel tripartite study group which, at least to some degree, was effective in what was perceived as a steel crisis. But that crisis pales in comparison with the crisis that has occurred since. And yet, faced with problems that are much more serious than the ones that were faced in 1980, with an industry with less than 50 per cent employment, some 300,000 steelworkers out of work, an industry that's operating at less than 50 per cent of its 1973 rate, an industry that's inundated with dumped imports and has a government that appears incapable of dealing with the question of unfair trade, the tripartite approach seems to have totally broken down. There has been some co-operation between labour and industry on the question of how to approach the import question, but, nevertheless, there was discord and disagreement about what should be done and how it should be done. Having already established the mechanism and having already experienced that first round, why was there no attempt to re-establish and use that mechanism to approach what *was* a very serious problem and *is* a very serious problem?

Joshua Gotbaum

Let me start by saying that since I was involved with a different Administration with very different views of how economic policy ought to be conducted, my biases should be fairly clear. I should also say that I am not privy, I don't spend time going to Roger Porter or the folks who are my analogues, but I think there are two reasons that the tripartite approach is not being tried now. I think the most important one by far is that the Administration view is so *laissez-faire* as to be unwilling to bring government to the table. The Administration tried very hard to

avoid putting itself in a position where it must compromise a basic free trade stance. Now, obviously, in light of the proceedings before the International Trade Commission, it has had, at least, to address the question. But it's been able to do so from the most limited position possible. Most people in the Administration feel that the best approach for the industry is for a lot of mills to close down and for the industry itself to restructure without the government's involvement. Now there are many problems there, but the Administration's problem, from its own perspective, is that the Justice Department wouldn't let the steel companies talk to each other about merger, and you are familiar, I am sure, with the fact that Justice stood in the way of a merger of J & L Steel and Republic to form LTV Steel. That problem they overcame eventually by sitting on the Justice Department. What they have tried to do, in essence, was avoid serious government involvement in this restructuring, on, I would say, an essentially ideological basis. I would also add that even if the Administration wanted to establish even the most basic communication, and the Committee needed to do the kinds of negotiating that are necessary, its relations with the United Steelworkers of America are so strained that I suspect it would be a fairly long process. Again, in the interest of this disclosure, I should say that I, personally, and Lazard Freres as a firm have served as consultants to the United Steelworkers of America on a *pro bono* basis.

Dave Patterson

You're the guy we blame for giving back that four billion to the basic steel industry?

Joshua Gotbaum

I'm sorry, I don't know which four billion.

Dave Patterson

Well, if you were our adviser, I guess we blame you for the four billion dollars we gave back to the industry; it's not much wonder people are pissed off.

Joshua Gotbaum

Actually, no. I can say I was not working for the Steelworkers then. I should be more exact.

Bill Macdonald

Dave, I think you should never put yourself in the position where you take advice and then blame the advisers.

Dave Patterson

In terms of looking at that decision, the consequences of that are going to be seen in 1985. There are a lot of people . . .

Joshua Gotbaum

Can I respond to that, because I think it's important? The failings of the Steel Tripartite Advisory Committee, in my view, and also in the view of Stuart Eisenstat, who was my boss at the time, rested in the fact that people thought they had made a deal, but there really wasn't a *quid pro quo* attached. Now, in that case it was the government that got taken. The government gave some form of trade relief, some form of environmental stuff, and didn't tie the steel industry down to say that additional profits were to be re-invested in current facilities. Now, I should add, since we also have steel industry clients, that the steel industry says that it has, in fact, spent a lot of money in steel, even if it wasn't tied down to a dollar amount. And that is correct. So, in that case, our failure to get a *quid pro quo* can be argued one way or the other. Some in mini-mills, but also there has been serious investment on the part of Bethlehem, Inland and National.

Peter Nixon

Re-invest what profits?

Joshua Gotbaum

Well, re-invest what cash flows? I'm not going to get into an argument about accounting here, but you and I both know that you still have to invest, whether you make money or not, in order to stay in business. But let me put that aside because I want to get to your point. The agreement that the Steelworkers thought they made with big steel for a wage concession in exchange for re-investment of the cash flows was, I think, another case in which people thought they had a deal and didn't get it hammered down. I agree with you; I think that was very unfortunate, because what it means is that an industry that is going to require further co-operation has a well that has a little bit of poison in it. Having said that, I also have to tell you that I don't see any alternative in the long run to that kind of co-operation. Like Mr. McCallum, I think the alternatives are worse. What I hope happens, and what I thought was happening with the trade co-operation in the steel industry, is that not U.S. Steel, but Bethlehem and the other steel manufacturers consult with the United Steelworkers relatively closely on the trade matter. Now I regret to report that that's broken down some after the Administration's decision. In the end, however, I don't think we have much of an alternative to co-operation.

Dave Patterson

I think you're getting off pretty easily. There are a couple of things that make me glad that Carter and Mondale aren't still at the helm. I refer back to the question of protectionism and the position the Carter Administration took during the flagship legislation debate when they took work away from one shipyard and

moved it over to another area; and they were in constant condemnation of the Canadian government because of our financing arrangements with the New York transit system when Bombardier built those rail cars. On the question of protectionism, I agree, in one respect, with Reagan. I think if those quotas had been introduced, we, quite possibly, would have seen up to a 16 per cent increase in the domestic price of basic steel and a helluva lot more shakedown of the industry. Sometimes I think all the tripartite arrangement during the Carter Administration was more of a front-door operation than it was during previous Administrations, which had back-door operations. I don't think that that tripartite structure, if Carter/Mondale had been re-elected in 1980, would have necessarily gotten them over that hump. Certainly, it would have got them more credibility. I think they would have dug themselves into a real economic hole in 1984 facing the Republicans because of their actions in the past.

Joshua Gotbaum

Let me start by saying I agree with you in part. You're absolutely right. It would not solve all the problems, and there were some genuine problems.

I would also note that the Industry Policy Study Group thought about getting into the issue of trade because the question of how the U.S. government runs its trade policy was absolutely central to the interests of everybody on the Committee. But we could not do so. Everybody there said that if we had been together longer and had spent more time talking, we would eventually have arrived at the point where we could have discussed this issue. But it was such a hot issue and there were such divergent views that people were not comfortable discussing it even after we had spent a total of about a week together. When we have a U.S. labour/management/government group of what I call the syndicalist approach, we always have the problems of conspiring against the folks who are not at the table. The Steel Tripartite Advisory Committee conspired against foreign steel and against the environmental community.

Bill Macdonald

What about the consumers of steel and the manufacturers who depend on steel and who compete with other people who have cheaper steel? I mean, you had a very tiny group at the table.

Joshua Gotbaum

You're right. I should say that, in theory, when you put government officials at the table, it is their job, in essence, to represent the unrepresented. Sometimes, that does happen. Part of the reason the recommendations of the Steel Tripartite Advisory Committee were not proposed in full by the President of the United States is that we didn't want a full-scale re-imposition of

trigger price, and we thought there ought to be some more sensitivity to environmental concerns. But, in general, you are right. When you are sitting at the table, you generally deal with the concerns of those who are at the table. But I don't believe that those shortcomings outweigh the basic advantage of getting people to the table and beginning to talk through differences of world view and differences of opinion. I still would rather talk and work through all the mistakes than send bullets over the wall.

Dave Patterson

You somehow think that this is a federal structure. This is like your comparable state structure. We have a Federal Government that's possibly got even less direction than the Reagan Administration. I think that this is the only provincial government in this country that's got any ongoing dialogue taking place; I guess that goes to the credit of the people that make the policies in this province. We've got such a bunch of haphazard politicians in Ottawa who can't see the forest for the trees. They have a hard time finding their way out of all that. There hasn't been any open dialogue with labour since about 1978. So if you think you've got a structure in the United States that is screwed up, I can look at my own country and say that we have a Federal Government that's like a ship without sails. And we've got about 210 people who want to be the captain. Our Federal Government let us down on the whole question of steel. And it wasn't until an election that somebody said, "Oh, we've got to go to Washington to put our position over!" It's basically a number of interest groups that forced them to do that. But that goes back historically. Ontario has the only provincial government that's having this kind of dialogue. I stand to be corrected. Nobody wants to point out the other provinces that are doing it. I think that's one of the reasons why this Government has been elected for some forty years, because it has a good dialogue with the responsible parties in the province.

Cliff Pilkey

It appears to me, from what you've said goes on in the United States, that, certainly, some of it is applicable here. The first point is that we don't have any problems in bringing the parties together where there's a crisis. No problems at all. I mean, if the ox is being gored, we have no problem in bringing people together. If it's a plant closure where the workers and management are going to be affected and the operation is going down, everybody has a common interest. So it's not very difficult to bring people together under those circumstances. Now, on the flip side of that coin is where everything is going smoothly. I want to tell you that you won't bring anyone together there at all. The realities are, let everybody take their best hold and we'll achieve what we can out of that kind of environment. So you have two kinds of

situations that exist. The other point that you made was that, in America, and, I suspect, here, too, if it's very controversial let's get the hell out of it. We don't want any part of that. Don't want to talk about anything that's controversial at all. When I raised the question with Dunlop about them talking about medicare for America, he got as mad as hell, as I recall. He said, "We don't want to talk about that. That's too controversial in America. You may have done it here in Canada, and you may have a very good scheme, and it's applicable in other European jurisdictions, but don't lead us down that one." If that's the model in America, I don't think much of it. We ought to be able to do something better here than just talk about things that are not controversial. What we have to do, if we're going to make any progress at all, is really look at some things that are controversial, bite that bullet and get on with it. We'll explore that, I suppose, later on. My question is, What value do you see in looking at things that are non-controversial? Secondly, how do we come to grips with things that might be described as preventive in nature so that we don't get into those difficulties?

Joshua Gotbaum

I agree with your fundamental point, which is that, particularly when people are afraid that their oxen are going to be gored, you can't get them to agree to very much unless their oxen are going to be gored *otherwise*, so crisis is a wonderful concentrator of people's minds. I guess what I would say is the reason for getting together on non-controversial subjects is it provides practice in talking to a *sufficiently wide variety* of people so that you start defining crises a little earlier, and you are able to react to them a little better. It is clear that the union leaders in New York City and the financiers in the City government did not talk to each other until the barn was not only on fire, but had burned down, and the question was how to rebuild it. It is pretty clear that the Steel Tripartite Advisory Committee or, in the latter case, the Economic Revitalization Board was not proposed until you had already had a serious breakdown of communications between the Administration, the business community and the labour movement in 1980. It takes such a long time for these different constituencies and their representatives to get to know each other, to get to a common agreement on what the facts are, that if you don't start the dialogue before this crisis, if you don't start the dialogue on something that is relatively non-controversial, if you don't start the dialogue just discussing the situation without discussing the solutions, I don't think you ever reach the point you want to reach, which is not crisis resolution, but prevention. You can't convince people that they need to pay money down to get insurance until they all agree that they're insuring against something that they all agree is a problem. It is very subtle, and sometimes it is baloney, but I think that hours spent together just discussing issues where nobody's ox is being gored or discussing

issues without discussing who gets gored when, are necessary, are precursers to that. The reason MUFL works is that these guys were in each others' armpits for a year or two when they really had to deal with each other, and they were forced to deal with each other.

Bill Macdonald

It may well be, just to think about the European experience, which we've heard about, and maybe the Japanese experience, that North America is wealthy. We didn't hit the bottom. You were talking about a particular segment of New York and the steel industry hitting the bottom. But whole societies hit the bottom, and the sort of thing you're talking about seems to have emerged in a number of those societies. We still have a kind of profligate mentality in North America; we really waste a good deal of our substance in our inability to confront, together, real issues that, in truth, do affect us. We prefer not to come to grips, and think we are wealthy enough to absorb the costs.

Josbua Gotbaum

The medicare issue, for example, is on the table. Walter Mondale and Ronald Reagan are busy saying that they're not going to do anything about social security. The fact of the matter is that somebody is going to do something about social security. The question is when and through what process it is going to get dealt with.

Fred Pomeroy

To follow-up on the point that Cliff was making, how does this become something more than a local gathering on local issues if one party to the whole process is quickly being put out of business? We represent 40 per cent of the workers in Canada and less than 20 per cent of the workers in the United States. I don't profess to be an expert on what's going on there, but everybody I talk to is getting smaller by the day and not being very successful in organizing, and employers seem to have taken the initiative.

How do you sit and have dialogue with somebody who's busy trying to put you out of business? How does this process go anywhere in the States with those kind of rules in place?

Josbua Gotbaum

It goes on multiple tracks, if the truth be told. There is nobody on any of these joint labour business groups who is personally or institutionally absolutely anti-labour. Actually, even that's not true because Irv Shapiro is from an essentially non-union company, Dupont. The judgement I think the AFL-CIO made in dealing with him is that he was willing to deal with them on issues other than whether or not the Steelworkers should get into Dupont plants. I guess what it really comes down to is that all institutions, and it's not just true for labour, it's also true for business,

have multiple agendas. On some piece of the agenda, Lane Kirkland and Irv Shapiro are capable of talking with each other. On another piece of the agenda, they just are not, but there's enough on the agenda with questions of trade policy that matter, particularly anything involving governmental policy. They have to be dealt with so they're both going to talk, and they both feel they get something out of it. When it comes to labour law reform, they don't talk. You are right.

Alton Cartwright

Josh, may I take you back to something you commented on earlier? That is, that in this Industry Policy Study Group, apparently Felix Rohatyn was the one who proposed establishing the financial institutions. I would agree that a government can't be allowed to go broke, whether it's Mexico or New York City. However, I don't think that a non-competitive business can be considered on the same terms. I happen to agree with the attitude taken by MITI when it decided to let its ship building industry go down the tube, even though it was the best in the world. You said that Felix Rohatyn was the only one who signed his name to this concept. My question is, Is there a consensus or a non-consensus on Chrysler or Lockheed-type bailouts?

Joshua Gotbaum

There is no consensus on Chrysler/Lockheed-type bailouts within the American business community. I think it is fair to say that there is now close to a consensus that neither Chrysler nor Lockheed turned out too badly. In other words, it does seem pretty clear that the combination of federal aid and Lee Iacocca in restructuring, plus an improved economy and our "non-quota" quotas combined to maintain Chrysler as a viable entity, at least for this, and the next, business cycle.

Alton Cartwright

Until Iacocca retires!

Joshua Gotbaum

There, I disagree with you. I think the management team he has is actually quite good. Notwithstanding that most people are no longer willing to say it's an obvious mistake, there is still a general reluctance on the part of business people to have the government involved in a very serious way. There was a minority view in the Study Group that while non-competitive industries could not remain the same size or stay in business forever, there might be some role that could be played by the govenment in the process by which these industries restructure themselves in order to survive. That minority view has, through the efforts of Rohatyn and other business people in the Group, become the majority view. Again, this gets back to what we were saying about steel. In 1981 and 1982, and pretty much currently,

the present U.S. government has taken the view that industry should restructure essentially by itself. As you know, there are some anti-trust problems and some logistical problems in restructuring an industry with heavy capital investment, like steel. The best way to do it is generally by merger rather than by joint venture or by the collapse of both companies. But that's not something that can be done without some form of government control. Rohatyn's view, and I think it is fair to say that it is the view of most of the labour and business people on the Industry Policy Study Group as well, is that there is a role for a carefully limited form of government involvement in this process. What they did not want to do was untie federal purse strings forever to keep old blooming mills alive. But there might be a time when the government could say, "We will do this if you will do that", and there could in essence, be a mediator role. Again, the analogy for this, in Rohatyn's case, came clearly from New York City, where the ability of the State to provide additional financing acted as a lever for a much greater amount of private sector financing. And so the members of the Committee said that maybe it's true that the best time to negotiate an agreement involving changes with business and labour and also some form of government support was when an industry needs to shut down some facilities or reorganize some facilities or move people to new jobs or simply have some people do different jobs in the same facility. Even that was mildly controversial, but the linchpin argument was that we were already into it, anyway. Whenever a major industry got in trouble in the U.S., the government provided financial aid in the form of unemployment compensation, which was automatically available, and tax credits, job training money, etc. This aid was always unco-ordinated and, what is more important, was never made conditional on anybody doing anything. We gave tax credits to the steel industry without any kind of restructuring requirement. We gave tax credits to the auto industry, with the exception of Chrysler, without any kind of condition. I should say that the Industry Policy Study Group ultimately endorsed the notion of a bank precisely because it was convinced that an organization that could say "no" was more powerful than one that simply handed out money in distress situations. The group felt that there was a role for an organization that was capable of saying both "yes" and "no".

Alton Cartwright

I don't think most businessmen would disagree that there is a role that government can play, provided it doesn't involve throwing money at the problem. What bothers me about the bailout situation is using taxpayers money to support inefficient industries. We have the problem in Canada with our crown corporations where, every once in a while, the debt is written off and absorbed by the taxpayers, and suddenly the balance sheet looks good again. I just can't see that this is economically sound. You

can understand that if a company is big enough, has enough employees, as was the case with Chrysler, that many people would consider it a real disaster to let it go broke. But why should it be singled out and favoured with money?

Joshua Gotbaum

You can argue it one or two ways. The way I argue it is, since democratic institutions in the process of helping the workers and the customers of any large enterprise are going to help anyway, I would rather they do it in a manner that guarantees as competitive a situation at the end as possible. We can argue about Continental Illinois from now until doomsday, but the fact of the matter is that when Continental Illinois got into trouble, the U.S. government did everything that was necessary. They said that they were only going to do one, two and three, but, in fact, they did one, two, three, six, eight and ten in order to make sure that that institution was viable.

Bill Macdonald

That is a different situation, though, because you are dealing with a system that depends on confidence in a way that is not true of an industrial corporation.

Joshua Gotbaum

All right, then I will deal with the other case. Take the steel industry or the glass industry or the rubber industry — any industry that is in the process of serious restructuring. Industries can go through transition in a variety of ways. Every other company can go out of business; pieces of every other company can be transformed. It may make sense that these things be done through merger; it may make sense that they be done through negotiated agreements. But it is almost always better that they are negotiated rather than happenstantial.

Bill Macdonald

You have a fundamental problem in the United States that I think may be pushing you in a less fruitful direction and that is an anti-trust law that works against the adjustment process in declining situations.

Charles Hantbo

Doesn't that call for redefining the marketplace on a more international basis for some of these industries?

Joshua Gotbaum,

Frankly, yes. I think that simply relaxing anti-trust laws will not mean, for example, that trade unions will be in a position, especially among themselves and certainly with the right set of managements, to negotiate the changes in their contracts that

may be necessary to deal with adjustment. Neither does it guarantee that federal support (and there is always governmental support in the adjustment situations) will be given on any kind of conditional basis. Our major conclusion on this was twofold. Government can't keep any non-competitive industry alive forever, but it is always going to be involved in adjustment; therefore, it ought to be involved in adjustment on a *quid pro quo* basis. Unfortunately, we set up a system that didn't allow for *quid pro quo*. Rohatyn's proposal of a financing authority was accepted by the Group not as a proposal to implement immediately, but as a plan to be considered, precisely because the Group thought that there ought to be some conditionality attached to government assistance. Not that we're going to restructure or replan an entire industry, but we're clearly and necessarily going to have some government involvement in every major industrial case that we have talked about. I think that is all the more likely in Canada, Sweden, Germany, etc., where the role of the government in the economy is larger rather than smaller.

Tim Armstrong

Was there a recognition by the labour members of the Industry Policy Study Group that there would be occasions when the *quid pro quo* would involve meaningful renegotiations of collective agreements?

Joshua Gotbaum

Yes. You drew my attention to a paragraph (in the Industry Policy Study Group Report) that said that restructuring should be accomplished with government assistance and have competitiveness in world markets as a goal. Even the most senior people in the American labour movement, if asked if they would trade some form of wage or job redefinition for real job security (because we spend too much time focusing on wages rather than work rules) in a deal that they *knew* would be honoured, would say privately, "yes". The Steelworkers' problem in 1980 was that they thought they made a deal for security and the promises weren't kept.

Dave Patterson

We signed the agreement, which was one of the richest agreements we have ever signed, in 1980. That should have been the time for industry and labour to sit down and say, "We have a problem and it's not going to disappear." Unfortunately, nobody thought of it. I know the system in the United States is so screwed up with collective agreements being ratified by a conference instead of the membership. You might have a different scenario...

Joshua Gotbaum

You might have, but I do not want to get to that point. I just want to say that right now, the Oil Workers' contract is wrestling with

the same set of issues. The American labour movement certainly recognizes that there are changes going on, and that those changes are going to affect workers as much as they are going to affect the movement. What it won't do, is commit publicly before anybody else does. "I'm not going to step out on the dance floor alone." And so, in this report, we spent a lot of time negotiating language that hinted. I should be more explicit on that — the Industry Policy Study Group Report is a report by a group of out-of-power-Democrats who are not in a position to make even executive branch policy, much less federal law; therefore, they are not going to say in advance that they will agree to cut labour costs by X per cent in exchange for investment in this or that industry. That commitment was not in that report, but that does not mean that there was not a willingness to go that way if that issue could be joined or a deal could actually be made.

Tim Armstrong

We have a similar situation in the province of Ontario, indeed, it is a national situation, in the meat packing industry. This is an industry that is clearly in deep trouble, needs to be rationalized, and where decisions are being made unilaterally, which, I think, are far more irrational and cruel in their impact than they would be if the kind of thing that was being proposed in the Industry Policy Study Group was operational. But that would take a sort of institutional admission, by both labour and management, that certain concessions had to be made. In this jurisdiction, that is something that we have so far been unable to bring ourselves to do because, I guess, of the "first on the dance floor" syndrome.

Bill Macdonald

I just wondered if there would also be an inter-provincial factor there?

Tim Armstrong

Yes; no doubt about it.

Vic Pathe

In meat packing, there has been a long history of bargaining on the national level.

Bill Macdonald

I was thinking of that. Mr. Lougheed might think that we, in Ontario, decided that the plant to go was in Alberta.

Tim Armstrong

There is that element in it. I think it is a medium-sized element, but, depending on the nature of the arrangements, maybe nothing would have to be closed. The point is that we have not translated those notions into anything that approaches what you describe.

Joshua Gotbaum

I really meant it when I said that John Dunlop was intimately involved in every successful labour/management attempt. The Food Industry Committee, which he set up, was able to reach some limited agreements in the late 1970s–mid-1980s on certain kinds of changes, I think at the retail end. That's now collapsed entirely, so I would say on net that we are no further ahead. But it was an institution that, for a while at least, had some promise.

Charles Hantho

Josh, would you give us a few more comments about where you see that Industry Policy Study Group report going? You said that it's kind of on the shelf because of the recovery, and, of course, because of the election it's obvious that it's not a hot item for discussion right now. But when things return, bearing in mind the other statements you made about the need to have the consultation process working with narrowly defined objectives, do you think the report's industrial development board recommendation would really stand a chance with either a Democratic or a Republican Administration?

Joshua Gotbaum

I think that a Democratic Administration is very likely to develop some formalized approach along the lines of an industrial development board. I should point out that there are alternative structures that have been proposed, but I was not personally involved then. The House of Representatives established a group to put together a whole series of initiatives, one of which was the Economic Co-operation Council, which is larger, broader-based and more essentially a public advisory committee. For reasons that I discussed (i.e., when you are discussing sensitive subjects and talking about painful compromises, I think that consultations are better done in private first and in public later), I don't think that that Council is likely to go far, but there is a general agreement that government has moved sufficiently into the area of economic competitiveness and industry for some more formalized relations to make some sense. So I think we'll get that. As a matter of fact, I would note that President Reagan appointed his own Commission on Industrial Competitiveness, headed by John Young, the Chief Executive Officer of Hewlett Packard. Most of us think that that was an essentially defensive move and that he did it simply because he had to have a structure, too. But I would say that the notion of some formalized consultation will survive, and when you get an administration that is not so adamantly opposed to legitimizing labour as the current Reagan Administration is, I suspect that you will see that idea floating to the top. With regard to the Industrial Development Corporation Authority idea — the financing institution idea — that, I think, will require a much greater re-alignment. I think it will require a general sense that, in fact, the economy is going sufficiently badly for

us to try something genuinely new, and I hope that such a bad situation doesn't happen.

Tim Armstrong

Now I am going to ask our European guests to comment on Mr. Gotbaum's presentation in light of their own experience with similar activities in their own jurisdictions.

Bernhard Molitor

Thank you very much. First of all I consider that dialogue (and this is an old German experience) is necessary on all levels. But dialogue does not necessarily mean tripartite. I also consider that non-dialogue is an expression of weakness, an indication of weakening social consensus within a country. We Germans have a lot of experience in this field, experience from 1918 to 1933, when we even created a social and economic council like those that some of our neighbouring countries, France and the Netherlands for instance, still have. In the period from 1945 to 1949 Germany was introducing what we call co-determination. There was a feeling, particularly at the end of the sixties, that we should develop tripartite meetings and discussions. At that time, Professor Karl Schiller, as Minister of Economics, introduced what was called "concerted action". Concerted action was organized at the federal level. Participants were the Minister of Economics, representatives of the Federation of Trade Unions, the Federation of Industry, the Federation of Employers, etc. The number of organizations represented was progressively extended until the trade unions left the concerted action in 1977. Talks then became less formal. Helmut Schmidt called them then the "open fire talks". Helmut Kohl also pursued this course. Everybody came, but nobody was satisfied. The talks were not very concrete. People wanted to have concrete discussions about concrete problems. What we are now trying to do is to return to something like the tripartite dialogue, but on a very small scale, say only twelve to thirteen people around the table. That means three from government, three from the trade unions, and three from the employer associations. We think that with more than twelve people in a room we cannot discuss anything very seriously.

Besides that, trade unions participate extensively on advisory boards of companies under the co-determination laws. Also one of five members of the Council of Economic Advisors, which does not have the same structure as the American Council of Economic Advisors, is nominated by the Government after consultation with the trade unions, and one after consultation with business.

There are other mechanisms set up as *ad hoc* groups with representatives from the trade unions. There is also, of course, the public side of co-determination, which entails at least 30 per cent of the members of all administrative bodies, postal services,

railways, and administrative boards nominated by the trade unions. The same thing occurs if we set up special commissions for special tasks.

Sean O'Flynn

How does that work in the civil service?

Bernhard Molitor

Well, we got used to working together on administrative boards. It is important to note that strikes are not possible for civil servants, only for public workers. This underlines the necessity of having personal representatives elected by civil servants and public workers to present their interest in questions directly concerning the management of personnel. Furthermore, it is a post-war tradition to have representatives of the trade unions on the administrative boards of the Postal Office and the German Federal Railways. Also, the Federal Office for Labour, which is responsible for unemployment and short work compensation and for promoting training and reintegration programmes for the unemployed and other jobseekers, has a tripartite administrative board.

On the contrary, we do not favour tripartite sector committees as we feel that this would intervene too much in the decisions of individual firms, and could lead to a cartelization of the sectors concerned — by the way probably disadvantaging small and medium size firms — and to massive demands for subsidies and protectionist measures made jointly by business and trade unions. For the same reason, we do not like tripartite sector committees in the international field either, e.g., in the OECD or in the EEC. On a tripartite level the dialogue should be a global (e.g., macroeconomic) kind above specific sector company interests.

Wally Majesky

If that's not workable, I would just like to ask you a question. I'm trying to figure out in my mind what is workable. Is the government, then, going to put a policy in place? I have some problems if tripartism doesn't work, and ad hocery doesn't work. What is the answer? Does the government then implement and say, "Look, you fellas are going to have to live with whatever we, in our greater wisdom, think is best"? I'm trying to figure out what your final answer is.

Bernhard Molitor

Well, to be very frank, the question is what is really meant by "workable", and what should we expect from these kinds of instruments. You cannot expect that you'll get a real tripartite agreement. Sometimes it happens, but seldom. What you see is that the government says what the government's intentions are, the employers say what their intentions are and the trade unions

say what their intentions are. My experience is, at least in some fields, that the outcome is that the government changes its position, not fundamentally, but it agrees that there is something to the arguments; and for that reason, we have to take this into account. Can't we find some device to get a little bit nearer to either the trade unions' or the employers' view? Is there not a misunderstanding about our intentions? This is often the case, because to dialogue only through declarations to the public and the press is very dangerous, and the press sometimes does not interpret the basic intentions in this field very wisely. The opportunity to explain the respective viewpoints can lead to changes in positions. So far, I would say that pre-consultations before decisions by government have been very useful. After the decision has been made you cannot rewrite it. I can give concrete examples of where the government has at least "modified" its views; I do not say "changed" its views.

The success of the tripartite institutions is another question; this has to be considered relative to the internal structure of each country. Each country, in my view, has to find its own way according to its structure.

Michael Sohlman

I would like to make three points concerning first, the institutional set-up in Sweden; second, the practices which we have adopted in the field of industrial policies, which has been a major issue in these discussions; and last, but not least, the dialogue between the social partners in the area of economic policy.

First of all, when talking about institutional set-up, I would say that we talk about a different galaxy, compared to what we've heard about in the U.S. As I said yesterday, the degree of organization is extremely high in Sweden, and this applies to both the the labour side and the employer side. We deal with highly organized, very well administratively functioning units on both sides, and their presence in society is pervasive. I can give some examples. As in Germany, on almost every Commission of Inquiry that is not composed solely of Members of Parliament you would find, as a rule, representatives of the blue collar union, the white collar union and the employers' association. Now this Commission of Inquiry usually produces a report with some proposals for legislation. These proposals are then sent out for comments throughout Sweden to all interested parties, including the social partners. They, in turn, send their points of view on the proposal to the government.

Another form of the presence of the social partners is, as in Germany, the boards. For example, all organizations are represented on the Labour Market Board, which is an important unit. The same applies to the Board of Industry and other boards. They're also on consultative organs like the Economic Policy Consultative Group in the Ministry of Finance. There is a similar group in the Ministry of Industry. Now, what has the effect been

of this presence of both labour and management?

Of course, the influence of the resepective parties has varied according to which party is in power. But, on the whole, both non-socialists and socialists have tried to take into consideration the value of arguments of both sides. In the field of industrial policies, which I mentioned yesterday, we have, by and large, tried to use the method of *quid pro quo*. That is, if state funds are used to help facilitate structural change, they are tied to very clear conditions such as, for example, the reduction of capacity in the steel industry. The same applies to the ship building industry, where we have done quite a lot.

Requirements have been set, not only for the labour side, but also for the employers' side, to either merge or invest or otherwise develop the activity into something viable. As also mentioned yesterday, our enthusiasm for industrial policies has cooled down quite a lot since the middle of the 1970s, when the experiences we had were tremendously expensive, and the Ministry of Finance is rather doubtful about the ability of governmental agencies to pick the winners. This is not to say that industrial policies are out of the question. You could affect factors behind production and productivity, such as research and development trying to improve the productive potential of the whole economy by way of education, research and so on. But you cannot assume that the state or state-owned agencies are good at running operative businesses.

There are, first of all, the informal meetings between the government, labour and trade union leaders, and the employers, but there is little in the way of formal accounts of these meetings, even to the Ministry of Finance. There are some records, but not public ones. More formalized consultations with the parties take place, for example, when the economic prospects are developed in the Ministry of Finance and policies are discussed in a consultative group. Lately, we have had special meetings to which we have invited the research people from both sides to discuss things like profits, profitability, how to measure it and what is the warranted rate in the medium and long terms. We have also had bilateral meetings on how to interpret the room for wage increases.

Tim Armstrong

That is very useful. Did you want to comment, Josh?

Joshua Gotbaum

My co-presenters have reminded me of some things that are probably worth saying. The first is, that I have been less than mindful of the fact that in arguing for a minimalist solution, you may appear to be arguing for a revolution. My view, frankly, is that tripartite conversations are sometimes useful, especially in situations of genuinely common interest, where the views of one

party outside government affect, or necessarily involve, the interests of the other parties outside government. This is why I tried to delimit this to talks about tripartite institutions that are concerned with governmental policy. Invariably, macro-economic policy and, frequently, micro-economic policy affect both labour and management, and their views, which may sometimes differ from the views of the other parties, ought, sometimes, to be exposed to those parties. Let me say that I am not arguing for mating the AFL-CIO and the Conference Board, the Senate and the House of Representatives, but I think there are certain times when the mechanism is genuinely useful. I have tried very hard to avoid the industrial policy debate in the U.S., partly because I think it is so hopelessly distorted at this point that little can be said, except to reiterate my point that the government is necessarily going to be involved. I suspect that, simply as a matter of governmental policy, it could be done better, and the reason we advance the notion of conditionality is precisely to achieve that more limited goal. Having said that tripartite consultation is sometimes useful, I will particularize and say it is useful where some form of compromise or communication can advance the interests of all three parties, and would add that this has to be done, at least initially, in private. To restate Woodrow Wilson, I believe in "open covenants covertly arrived at." I think that's really rather an important point. The last thing I would say is that structure matters a great deal because you want these groups to achieve relatively subtle purposes. What the membership, the scope and the duration of the organization are matter a great deal. I understand that *ad hoc* meetings do not work, and I am not making an *ad hoc* proposal. What I am proposing is experimentation in limited, long-term consultative organizations, which ought to be given some time to work. I would also thank you for letting me come in Lew's place. I apologize for the raggle-taggleness of my presentation, but I have enjoyed it.

Wally Majesky

We talk about different models, the European and the American, which is pretty similar to the Canadian model, but the fact is that we can't talk about tripartism in Canada until someone recognizes our credibility. In the Swedish model, there is total acceptance of the trade union movement, with its membership of 90 per cent of the labour force as an equal partner. The fact of the matter is that in the United States and Canada, aside from talking about local goals, we have to fight for our existence; in terms of recognition, that means that Dave Patterson and Don Holder have to go out just to organize local unions to get accredited. Now I have some very major problems talking about consensus when, in fact, our first priority may be how to remain in existence or how to organize in the trade union movement because we don't have anything like 90 per cent membership. Fred's comments are not facetious unless we, in North America,

can ultimately get what we refer to in the trade union movement as an "equal partnership". Our existence raises the question of how we can be partners when Fred has to figure out how to get more union members. I find it very difficult to talk about continuing this process when there is no way that business is going to say, "Look, we are partners; we are going to give you 60 per cent of the work force to become unionized." You talk about Sweden — I think I'll have to live to the year 2090 to see 90 per cent of the work force unionized in Canada.

Joshua Gotbaum

Having spent a lot of time dealing with the so-called conflict of interest questions between labour and management, my personal response is that, even in wars, there are times when parties have to talk. For a lot of labour management situations, and for a lot of situations involving government policy, even though you are battling on other fronts, there are common interests. Now maybe what that means is that you do not announce to the world, "We have consensus; we have an organization that will solve all of our problems, and we'll sit down in marble halls somewhere in the idyllic countryside and resolve all the difficulties of management and labour." But, that does say to me that, at the minimum, you talk. Maybe you don't talk openly. Maybe you don't talk with preconceptions, but you talk.

Cliff Pilkey

I want to get to the point that Sohlman really hit on the head, the importance of having a common set of facts. My question to you is: What are they doing in Sweden to make sure that the trade union movement is able — through research and data collection — to come up with facts that are relevant so that it is able to challenge other statements made by government or employers? I think one of the difficulties in Canada is that we don't have a sophisticated group that can give us these kinds of data. The reason that we don't have it, I think, is because we really don't have the resources. My question to you is: How do the Swedish and German trade union movements bring this about, and who is funding it?

Michael Sohlman

I might start with Sweden. The answer is rather simple. When you have 90 per cent of people organized, you have a solid economic base for your activities built on fees. For example, the LO, the blue collar union, has a central secretariat with fifty to eighty people. Of course, many of them specialize in very technical aspects of the statistics on wages, but they also have a group of ten or fifteen people who are working on general economic policies and following what happens in different branches of the economy. So that's a function of their economic strength. The same applies to the TCO, the white collar union, which, on a regular

basis, comes out with an alternative forecast which, usually, is slightly in their favour — a higher growth rate predicted in their forecasts and, therefore, more room for wage increases, but, on the whole, quite close to our analysis.

Bernhard Molitor

The degree of organization in Germany is much lower than that in Sweden, but German trade unions have financial power. There are rarely strikes in Germany, the membership funds have gone into the organization to build up economic power. To a large degree, they are invested in housing, which was really important in my country in the reconstruction period after the war. The trade unions have their own bank, which, if I remember correctly, is the fifth largest private bank. They also have their own research institute with an independant structure, and they have their own economic policy secretariat in the Federation of German Trade Unions. The unions in Germany, through co-determination, have a much greater insight into the firms than have the unions in our neighbouring countries such as France, for example. I am personally convinced that co-determination has something to do with the wage moderation that we are presently experiencing because the unions see the profit situation of the business, and they know what a firm's insolvency means to jobs.

Fred Pomeroy

Let's look at another factor. In my union, for example, out of every $11.00 we raise, only $1.00 goes to research. The rest goes to the war chest because we have to fight in strikes for basic things, which are negotiated globally in Germany and Sweden. For instance, if we get three weeks vacation after one year from Employer A, we have to go pound the bricks to get the same deal from Employers B, C and D, whereas you, in Sweden, would negotiate one contract with all employers in a particular industry at the same time. We spend a lot of money on wars, that's why we don't have money for research.

Tim Armstrong

Now Sean, of course, doesn't have that problem!

Sean O'Flynn

Those who read the *Globe and Mail* this morning would have seen one of the problems we have. You must have a very different philosophy in your government about decision-making. It is totally alien to our environment. As an example, we ask for input into organizations, and we are told, "We cannot discuss that. We can't let you know what's happening until Cabinet has made a decision, and when Cabinet has made a decision, we will meet with you and explain it to you." That's it. The idea of letting the employees or the unions know about possible policies or even

the discussion of policies is, somehow or other, seen as a weakness or an abuse of the democratic structure. The people who make decisions are the people in the Cabinet, and the decisions they make are made without any input from the workers. The government reserves unto itself the right to determine things which, in the private sector, are negotiable. So how do you get around to this business of seeking input and involving people in policy-making which is advisory, of course. How do you get around the self-endowed right of the elected leadership to make the decisions?

Michael Sohlman

I doubt that I can answer your question because the very structure is different. First we have a very open system of government, and a corresponding act to your *Freedom of Information Act*.

Sean O'Flynn

We have someone in court at the moment because he leaked a Cabinet document. The government took us to court to find out who did it so that they can nail him.

Michael Sohlman

That might happen in Sweden, too, depending on the document. I think the philosophy is that it is more efficient to get to know the problems by asking the people who work with them about them at the Commission of Inquiry stage. In this way, people who have worked with the issues in question are brought into the process. After all the necessary information has been collected, alternative solutions are worked out by the Commission of Inquiry. Of course, already at that stage, you will see differences in political values and other things being reflected in the different alternatives; the majority opinion which is worked out in the Commission and the minority position which reserves its approval and so on. Everything is then published, and one can judge for oneself, or the informed public can judge. Then it is up to the government to make decisions which it must defend on the grounds of facts combined with values.

Bernhard Molitor

May I just add two points? First of all, it's a political affair. It is not civil servants who should speak; it is politicians who should dialogue. Secondly, it's a two-sided affair. Secrecy must, of course, be kept on both sides and it must not immediately lead to political debate. I know that this is sometimes difficult for members, but our experience is that the minister or maybe his undersecretary speaks with the trade unions. What I want to underline is the two-sided aspect of discretion in these kinds of matters, which is extremely helpful. If there is public debate immediately after consultations, then, of course, you incur the risk of interrupting the dialogue.

Tim Armstrong

The sources of frustration that I think underlie Sean's questions, which have been put before in slightly different forms, stem from the disappointment and dissatisfaction felt when the views expressed in consultation are not reflected in policy. And that I think is something that can't be overcome in the system, in our system, or in Germany's or, indeed, what Gotbaum is talking about, and if anybody thinks we can solve that, then I think they're simply wasting their time.

Sean O'Flynn

I don't think that's it, Tim. I'll give you an example just to show you that the point I made is not the one that you refer to. We had a document leaked to us, which told us that six institutions were going to be closed down. If we hadn't got that document, we would have learned about those firms one by one. There was no consultation, no discussion anywhere of the philosophy behind the move, no discussion about what was going to happen to anyone. It was a decision that was made in private. So I just want to understand how the union representing its members could be involved in discussions before the decision is made. It's too late after Cabinet has made the decision. I thought about the possibilities of prior consultation but I do not expect that that point of view will necessarily prevail.

Dave Patterson

I am talking about that question, about being equipped with all the tools to make the right decision. When we were in Austria, we spent some time talking about the way the Austrians make some of their economic decisions. If my memory serves me right, we talked with the "Four Wise Men" in Austria about how they equipped themselves with all the known facts and made some major decisions in terms of where the sectors were going. I remember we said at the time that it would be considered very provocative in Canada to suggest that the four different sectors or three different sectors have their respective representatives on the front line equipping themselves with enough detailed information to help make some decisions. I think that bears some follow-through, maybe from Mr. Sohlman or Dr. Molitor. Another thing is, that despite what we might say about the United States, its collective bargaining system is much more sophisticated than we give it credit for. During our relationship with industry in this country, we not only have to take on employers individually, but we also have a much worse record of strikes than in the same industries in the United States. I look at three major industries that I know a little bit about; they are the steel, canning and aluminum industries. The last basic steel strike was in 1959 — 119 days. We also had 119 days in 1981. When you look at our strike record, it goes back to '59, '66, '69, some sporadic interruptions in '75, '78, and '81 and some differences in

'84. The crisis that confronted the Americans in 1974 when the ENA was involved was the OPEC crisis. In 1984 what confronted us was the offshore question, and each party at the table was equipped with good enough arguments to convince each other that it was in everyone's best interest to enter into negotiations. We got a contract in thirty-three days, and I think in Algoma's case it was fifty-seven days because of the break in-between. I think we can learn, not only from the European systems, but from the American system, which has some attributes that are worth considering. It has also had some failures. It's great when industry and labour both agree they have to have a contract, but when the copper industry decides that it is in their best interest to see a strike because the copper prices might go up or the copper market is gone... Tim, could I have our friend's comment about the Austrian "Four Wise Men"?

Tim Armstrong

I think you are talking about the statutory chambers, their membership, and the decision-making that flows as a result.

Bernhard Molitor

This proves that one must find one's own solution. Of course, in a tripartite dialogue the responsibilities must stay clear. This was the prime characteristic of Concerted Action from 1969 to 1972. One must try to get some continuous dialogue. If my experience is right, a crisis may help. But sometimes a crisis is too late for a dialogue. If people know each other beforehand, it is easier to reach consensus in a crisis situation. This is my personal experience, both in Brussels and in my relationships with trade unions. There must be something like a continuous dialogue even if there is no particular subject for focus at a certain moment.

Cliff Pilkey

I would like to ask Mr. Sohlman to tell us what has happened on the Wage Earner Fund issue since we were in Sweden. Then, I would like Dr. Molitor to comment on the strikes that took place for a shorter work-week in Germany, and their ramifications.

Michael Sohlman

On the Wage Earner Fund — I am glad you posed the question because I forgot to tell you about it yesterday.

The main idea behind the Fund was to increase the understanding of the need for higher profitability in industry by distributing parts of the ownership of productive capital *via* shares. In this case, the shares are not held by the public, but are tied to pension funds. There are five funds, each of which has a separate board with a managing director and assistants. The boards started to operate during the summer and it is much too early yet to see the results.

The government views this as a very cautious step forward in trying to achieve a more even distribution of ownership. We will get new actors in the capital market, which, up to now, has been highly concentrated, but, at the same time, the scheme is very limited. In 1980, the total capital accumulated was a maximum of 14 billion Swedish Krona. The present value on the Stock Exchange of companies amounts to around 270 billion Krona, and, presumably, that figure will rise, so the percentage accounted for by the funds will be limited. But, of course, new independent actors will come in on the scene. In fact, we have had, for the first two years, rather spectacular power plays, comedies or tragedies, between the different power groups in Sweden, where they have been buying shares of their respective groups and trying to take them over. This will be a new element.

Politically speaking, the opposition against the Fund scheme is the same as when you were last there, and the opposition parties have promised to dismantle the system as soon as they come into office, if and when they do.

Tim Armstrong

And the shorter work-week?

Bernhard Molitor

First of all, working time became very much an ideological question in Germany. The aim behind the policy was the reduction of unemployment rather than the benefit of the individual worker. The reduction of working hours — in whichever form, whether early retirement age, longer annual leaves or 35 hours a week — was always asked for with no wage loss. Only two major trade unions went in their demands for the reduction to 35 hours a week. Of the others, some asked for nothing in this field (just for wage increases) and some asked for earlier retirement age.

Let me start from the outcome. The outcome, purely from the cost impact, seems to be reasonable. It is a two-year agreement with about a 4 per cent annual increase of labour costs in the metal industry. The workers got 38.5 hours on average (not the 35 hours sought). What does this average mean? It means flexibility at the enterprise level in that the enterprises could negotiate with the employee representatives how to distribute it. If some workers work for 40 hours, others can go below 38.5, and some might take it in the form of leave at the end of the year (one of the steel mills is doing that), etc. My personal feeling is that the trade unions started the debate too early. They did not believe that the recovery would go on into 1984 and, for that reason, they had the impression that there was no substantive margin for wage increases. IG Metall fixed their strategy for the 1984 wage round already in the summer of 1983 — because they needed to mobilize their membership. There were doubts that the members would really adhere so strongly to demands of reducing the weekly working time. I believe that they followed more because

of solidarity than because of the target, but this may be debated. If you asked someone from the metal workers' union, they would probably give you another interpretation.

I think it is good that we have this kind of solidarity. It is good because we need strong unions. Stronger unions can compromise much more easily than weaker unions, particularly those weakened by competition among unions, as has happened in France and, to a certain degree, in Italy, Belgium and the Netherlands. The duration of the strike showed, by the way, that the trade unions underestimated the solidarity of the employers. In retrospect, I would personally have preferred, from the cost effect point of view — because I am a little Keynesian like Dr. McCallum — a 4 per cent nominal wage increase instead of the trade-off in working hours. What is positive is that the trade unions have got the solidarity and we had some kind of flexibility for companies. It was very difficult to accept this compromise, which was achieved through arbitration and decided by one of the old trade union leaders and a former Minister of Defence, a Social Democrat, Julius Leber.

Peter Nixon

A bottom line question: Has it increased employment and will it increase employment?

Bernhard Molitor

My feeling is that, first of all, it has exacerbated the employment situation because, during the strike period, business expectations were affected, and nobody employed additional people. If you look at a graph of German unemployment, you will see that it went down until February-March, and when the possibility of a major industrial conflict developed, it probably exacerbated the employment climate. Whether this impact will continue in the long run is uncertain. But I am afraid that it will induce industry to undertake further rationalization — where more rationalization is still possible.

Peter Nixon

That is exactly what has happened in the steel industry. They just rationalized that many extra hours, and there is no increase in employment.

Bernhard Molitor

This is what, as an economist, I am afraid of.

Don Holder

But there is no proof that they would not have rationalized those hours and created even more unemployment. That is one question that the industry neglects to answer.

Tim Armstrong

I would like to take a couple of minutes to express appreciation to our guests. Josh, I really should give you the last word in deference to the closeness of the Niagara Frontier and Lewiston or Lakawana. I have one regret about this session — and I cannot remember a better one — and that is that we don't have a broader audience. On second thought, that would ruin the discussions, so maybe we are better limited to a group of this size. There are things that were said, I think, over the past twenty-four hours that are of fundamental importance to what we are, in our own groping way, trying to do in these sessions. The tapes have been running, and, with the permission of the participants, I think in due course it would be useful for us to produce an edited version of what went on, and make the salient points available, not only to the participants, but to a wider audience.

As for the invited guests who made presentations, I cannot think of anyone who could have represented their countries more adequately and, at times, more eloquently and, certainly, more knowledgeably than they did. We had met Mr. Sohlman and Dr. Molitor before, and we had no doubt about their capacity. Josh, we had not had the privilege of meeting you before, but if we had had a choice, we would not have made a different one. So I do thank all three of you, and I undertake to share with you the record of the deliberations, once Nick edits all the bugs out. Thank you very much for coming.

And thank you, as well, committee members and specially invited guests who joined us for the first time. I think the experiment has been a useful one, and, for future meetings of this sort, we would want to continue to invite you and others to attend and be part of our deliberations.

So thanks to everybody and to all the participants. The Committee members are now going next door *in camera* — in the tradition of open deliberations — to discuss certain matters, so we will adjourn.

8. Ontario Labour Management Study Group's Reflections on the European Experience

Tim Armstrong

This segment of the proceedings is devoted to the reflections of the various members of the Committee on what they learned in Europe.

It may be difficult, after such an intense and interesting twenty-four hours with Messrs. Sohlman, Molitor, McCallum and Gotbaum, for us to reach any definitive conclusions about the European experience. However, members have all done some preparation and, while what we have heard is still fresh in our minds, it would be useful to hear from those people who have taken on the task of trying to complete our wrap-up.

All I would caution is that you not pull any triggers prematurely and that you leave a little manoeuvring room as we plan for the future.

Cliff Pilkey

I've been given the assignment to comment on the economic issues, and the reality is that I'll probably pose more questions than I'll provide answers.

Many of the points that I was going to raise to put the trip into some Canadian context have already been touched upon by our visitors, so I will be covering some of the points that they have already alluded to.

In the countries that we visited, it didn't appear to me that there were any pat answers to the economic issues that could easily be transferred to the Canadian scene. It also should be remembered that, while we were there, those European countries were really struggling, too, in a depressed society that, in some ways, tracked the 1930s.

I think it's safe to say that they have a mixed economy concept, with both public and private enterprise working side-by-side. The same situation prevails here in Canada in many respects. The question then arises: How do business, labour and government respond to the economic issues in a mixed economy concept? One answer, in my view, is that there must be a change in attitude and a determination to really make things work, as opposed to a situation where there is a feeling of distrust and a feeling that we can go it alone as far as the economy is concerned. When I say, "go it alone", I mean that the trade union movement has a mechanism in place to cut up the pie; the employers have a mechanism, too, one that generates a profit, and the government, also, has a mechanism. I think that if we are

talking about the economy, that there really has to be a change of attitude and a determination to make things work.

The other obvious question is: What are we trying to provide through economic activity? I wrote down what some of our objectives surely should be: better living standards, better family life, better economic security, better confidence in the communities, better job opportunities, and, I suppose, better hope and a promise for the future. These are pretty broad objectives, but, surely, we have to have some objectives that we are attempting to reach through economic activity. To achieve those ends we need business, labour and government to give top priority to a healthy and prosperous economy. That means seriously encouraging growth in the industrial sector along with a public sector that provides the safety nets, which are fundamental and necessary.

In Europe, it appears that the three partners in the process were prepared to use fiscal and monetary measures as the basis for a strategy to respond to their problems. It appears that investment, productivity, competitiveness, wage policies and social programs were basic, both to these strategies and to the consultative process. While salaries and wages, competitiveness and productivity are central issues in Europe, there certainly are a number of other economic issues that impact on the total community and that are also discussed by business, labour and government, such as regulations, taxation, subsidization, export and import policies, etc.

I sensed the solution worked out between the partners was a very pragmatic one, although I think ideology entered into the picture. I saw more pragmatism there, perhaps, than I liked, quite frankly. I guess, really, what I'm saying is that while our ultimate objectives might be the same, we often differ, on an ideological basis, over how we reach them, and we have to deal with that.

We saw that economic issues could emerge that would split the partners rather sharply. We saw what happened with the Wage Earner Fund in Sweden and the shorter work-week in Germany. Those were two issues that caused a sharp division between the business and the labour movements in both Sweden and Germany. In Sweden, the government obviously came down on the side of the Wage Earner Fund, but on the question of shorter work time, I sensed that the West German government was taking more of a standoff position, letting the two sides slug it out. But, even though those sharp disagreements emerged, the partners were able to come back together to look at economic issues that affect the total community.

While we have seen, first hand, the way in which some European countries handle their economic problems, the broad question still remains: Can those concepts be even partially applied to Canada? And if the answer is "yes", where do we begin to put them in place? What kind of structures have to be put in place? I remember Bob White saying at one of our other meetings

that he didn't believe that we ought to be concerned about structures. But I think that if we are really serious about looking at economic issues that we can have dialogue on, it may very well mean that there will have to be some structures put in place for dialogue and communication between the major partners.

As I predicted at the outset, I have raised more questions than I have provided answers, but these are questions that have to be addressed.

Tim Armstrong

Thanks Cliff. My recollection of what Bob said is that he thought it was perhaps premature to get into any kind of overly-structured group with fixed agendas. But that may be a nuance or point of argument.

Dave Patterson

I welcome the opportunity to address the question of collective bargaining in the European context because I think it's important that someone who was on the trip reflect on that issue. I was least impressed with the labour movement in Austria. I found it very strange that the Austrian labour movement could be so removed from the rest of the European labour mentality as regards to collective bargaining. For instance, they made it very clear that they did not agree with the Wage Earner Fund, nor did they favour a reduced work-week — the 35-hour work-week. Their biggest concerns were the investment dollar coming into Austria and their own survival. They seemed to be very comfortable with their system of statutory chambers — Labour, Agriculture, Industry, and so on — as well as with the social structure of the labour movement. I would suspect that they are very much like the Japanese in terms of accepting their place in society. They are not going to try to change, whereas their counterparts in Germany and Sweden are.

In Germany, for instance, we met a young man at the IG Metall headquarters who said that the philosophy of co-determination, although applicable in days gone by, is being challenged by the younger trade unionists coming up through the ranks. They are not as willing to accept co-determination as uncritically as their counterparts were back in the days when they were rebuilding their economy after the withdrawal of the military presence of the Allies in 1949.

I have another comment about our Swedish and German speakers. I was absolutely flabbergasted at their openness and candidness with us. I find it ironic that we can bring people from abroad to tell us how they run their countries, and yet we have people in this country who don't share those secrets with anybody. We are in a state of flux right now because we have a new government, but it doesn't appear to me that we are getting any new directions, and nobody has called us to say, "Now this is how we're going to do it." I think that openness, in terms of the

labour movement's involvement in the social partnership in Sweden and in co-determination in Germany, is one of the reasons why they are able to address the issues that we are concerned about.

Although Mr. Sohlman didn't say too much about the Wage Earner Fund, when we were in Sweden the TCO was not very enthusiastic about the issue, and, in fact, openly said that it was opposed to it. And we knew that the employers' organization was just as well-organized as the LO or TCO in its opposition. After we had left Sweden, the employers had a demonstration, which, I think, was a major success for them. But the government did introduce and bring the Wage Earner Fund into effect as of December 21st, 1983. To supply the Fund, real profits will be taxed up to 20 per cent and each employer in various sectors will pay a payroll tax of from .2 per cent to .5 per cent. The Fund, despite the national approach to collective bargaining, is going to be prioritized regionally, which is interesting because of the relative sizes of Ontario and Sweden. The objective of the Fund is a 3 per cent rate of annual return. The government has appointed overseeing boards for the Fund, on which the unions have a majority position. A single fund can hold up to 8 per cent equity in a single firm; thus, in aggregate, the five funds can't account for more than 40 per cent of the ownership of a corporation. They have a lot of money invested. They wanted to make sure that there was a tax, both on profits and on wages, which the employees or member unions could reinvest in capital expenditures or, indeed, in their respective industries to guarantee their viability.

As Mr. Sohlman said, it wasn't until the Conservative government was elected that they had a problem with nationalization. The Swedes and the Swedish labour movement are totally committed to fair trade, a free enterprise system and survival.

One comment that I think is relevant to the labour movement in Ontario and Canada is a remark made by one of the people from the Swedish QWL Centre, who said that the Swedes were not going to be Luddites like the North Americans. He made that reference in terms of the approach of labour in North America to technology. The Swedes have taken just the opposite approach. There is a hell of a lot of technology involved in the economy, and the Swedish labour unions have embraced it wholeheartedly. The fact that the LO is not complaining about Volvo producing 70 per cent of a Volvo vehicle outside Sweden is an indication of the attitude of both the Swedish labour movement and the LO. Whereas we, in North America, are involved in disputes about out-sourcing, the Swedes haven't taken that approach.

There are a couple of things that can be said about the Swedish labour movement from the point of view of collective bargaining. First of all, I think it is better organized. Secondly, it

doesn't have the problem of jurisdictional disputes. Who does what is clearly defined. In terms of the ability to organize, the laws are structured in such a way that it is not a question of having to go before a labour board to make an application; it is just a matter of the workers saying that they want a union in the shop and getting one. There is a hell of a lot of difference in attitudes between here and there. Unions are socially more acceptable and are also recognized as legal entities in Sweden. They have a lot more political clout because they have a large number of members organized. At the same time, they concentrate on what we would consider more social, than collective bargaining, issues. We waste a lot of time in Canada talking about social issues and trying to get them into our collective agreements, whereas the Swedes adopt them as national goals. They don't have to spend time negotiating these social issues into a benefits package because they are already provided for by legislation.

In Germany, we were involved in a discussion about the 35-hour work-week, which focused on the argument that fewer hours produce more leisure time and more jobs. The question of the strike is certainly a legitimate one, although, in his comments, Dr. Molitor did not mention a number of aspects of the strike. For instance, there were a number of unions or workers who didn't support it. The biggest loss in the GNP was not because of the strike but because of the lock-outs. Those lock-outs caused a lot of damage in the printing industry as well as in the metal trades.

As far as the overall organizational structure of the unions in Germany is concerned, the German unions don't have 90 per cent of the workers organized. In some sectors, like the public sector or the printing trades, 80 per cent of the workers are organized. In the metal trades, perhaps only 38 per cent of the workers are organized. The Germans don't have the same level of organization as the Swedes.

The response by the German labour movement to the crisis it has faced over the last couple of years points to a couple of structural problems with the Canadian labour movement. First of all, we have too many unions and too many jurisdictions. It was interesting to hear Mr. Fisher say last night that he's got eighty labour contracts. I suspect that's part of the structural problem that we are confronted with. The other point is that because of the legitimacy and social acceptability of unions in Germany, Sweden and Austria, they have a lot more political clout with the government than we do here. It is only by invitation, in many cases, that we participate in any type of dialogue with the government, and I think the reason for that is because only about 22 per cent or 23 per cent of the work force is organized. I think that's one of the reasons why we are sometimes odd man out.

The collective bargaining process in Sweden is much more sophisticated than it is here in terms of the approach of industry and government. It is more centralized, and the unions do not

have to spend as much time on those fine details of the collective agreement as we do. They can concentrate more on the larger social issues. The LO and the TCO are certainly two very enlightened organizations that have some similar problems, but, in collective bargaining, they're progressive enough to realize that what they are attempting to do in Sweden (and I guess the IG Metall in Germany, too) is to ensure their own viability in the marketplace as well as in their own country.

One thing that we didn't see in Sweden, because we were in the major centres, is the labour movement's regional approach. I think that's got some bearing on what is going on in Sweden in terms of ship building, iron ore, etc. We weren't able to see the LO's participation in the regional structures that are in the mining communities and ports, etc.

One concluding remark about Germany. While we were there they were just starting to gear up for the peace demonstrations that traditionally take place in October. I think it is important to take note of that fact. The labour movement anticipated putting 300,000 members out on the street for the demonstrations in addition to trying to organize the strike that was going to take place over the 35-hour work-week.

The idea of a united Germany is very strong. The newer generation of trade unionists in Germany talk about that openly. They talk about a united Germany — no more wall. There is some resentment at having 800,000 American troops in Germany. The government certainly enjoys some of the benefits of money coming in. But the trade unionists, as well as some of the people we met from the technological centre, are thoroughly convinced that if there is going to be a nuclear war, it is going to be fought in their country — they are going to do all the dying again.

I think that the Germans and Swedes, the Germans in particular, are very modest in terms of acknowledging what they have been able to accomplish. For a country that was totally wiped out, the Germans have certainly rebuilt it with a view to the roles of the participants in that society. I don't suggest that this is what we have to do in Ontario, but I certainly think that there are a number of lessons that can be drawn from looking at the labour movement there, including the bargaining process in Germany and Sweden, and, to some extent, in Austria, that can be applied here in different ways.

It has taken the government of Ontario a long time to build up a relationship with the labour movement. My concern is that that could all be gone with a change in the major player at the top. The German and Swedish labour movements don't have to worry about this type of change because the legitimacy of their interests is recognized.

I'd like to make one additional point about the QWL Centre in Sweden. It doesn't matter whether the Conservatives or the Social Democrats are in power, that body is in place, and it

seems to be politically aloof from those in power.

I just venture the thought that if both the business and the labour representatives on this body feel that it should continue, I think it would be a mistake for the Premier to scrap it.

Alton Cartwright

I don't share your pessimism, Dave.

Dave Patterson

I don't think it's pessimism; it's just a concern about faces changing and policies changing.

Tim Armstrong

Peter, would you like to begin your presentation?

Peter Nixon

I may be accused of having an obsession, but I would like to look at collective bargaining issues in light of world competitive pressures. I think that's the main factor that is currently governing our relationships and our economy.

What impressed me in Sweden was the clear evidence, without any qualification, that each of the three partners (i.e., labour, business and government) recognizes and accepts the need to be internationally competitive. There seemed to be no hesitation among the three parties in agreeing on a common goal. The ability to achieve this consensus was a very compelling and important aspect of the Swedish situation. The three parties appear able to accommodate their individual views within the overall goal and be part of its implementation. Hence, the 16 per cent devaluation, which resulted in a real decrease in wages and standard of living throughout the country, was accepted universally by the three parties.

If we look at Austria, the goals were less openly discussed, but I think that there was an underlying disciplined approach to wage and price determination that really reflected, again, this need for international competitiveness. The Austrian partners saw themselves as citizens of a small country, a small unit in a very difficult international marketplace. They had come through a period of crisis, and they knew that their only means of survival was to be competitive and to work through the "old boy" network. The key players were friends and associates, who met almost daily and who were able to come to accommodations. I would suspect that neither individual business representatives nor individual labour members really have a great deal to say about what goes on in the Austrian system. I think that there is an "elite" controlling the process, which is highly disciplined. This was reflected somewhat in my discussions with Austrian steelmakers who told me about the dominance of the authorities in decisions on how business will be conducted. To summarize, Austria is a highly disciplined, highly structured environment

where the social partners are willing to subdue individual needs in the interest of a common purpose.

In Germany it was my impression that co-determination was a system that was imposed on the social partners after the war. It was not one they chose and it is not one they would choose today. They are not sold on co-determination individually. Despite co-determination, I think the Germans are the least able to handle the increasingly complex conflict between the parties. Where that was reflected most, in my opinion, was in the open statement by the German labour movement that it would oppose the unrestricted implementation of technological change. In fact, it opposed any further technological change, and that is about as much of a "head in the sand" approach as you can possibly have because technological change is coming, and there is nobody in Germany, or anywhere else, that's going to stop it. The German system was the least co-operative of the jurisdictions that we saw. But it works, nevertheless, because the Germans are highly disciplined in their approach to achieving national objectives.

What are the implications of "the European Experience" for Canada and Ontario? First, I think we do have a changing mood and a growing appreciation of the need to be competitive. But we've got little consensus on how to achieve it. We hear the argument that "you can't expect people to work for a handful of rice", and that, really, is a "red herring" argument. Nobody in this room expects people to work for a handful of rice. But we have to recognize that the wages of some of the people we are competing against are one-sixth of ours. That's reality.

There is growing understanding at two levels within the labour movement of the need to be competitive. Both the top leaders and many rank-and-file members understand this. But there is a great bulge of other union people who recognize the need to be competitive, but are more concerned about what is going to happen to their jobs. They're looking to elected union representatives to protect them. And when the union representatives are unable to provide protection they turn on them. Ask any union leader what kind of pressure he's under and he will tell you there is severe pressure. The recognition of the need to be competitive is there, but we don't have the means, as yet, to deal with it. We haven't really worked out a system for translating needs into action, and we tend to rely on the traditional confrontation route. It is the only way that we know. Economic necessity is gradually working wage settlements down in response to the competitive needs of our country, but it isn't on the basis of consensus and it isn't always on a constructive basis.

There is no evidence of a common purpose evolving in Ontario such as we saw demonstrated in Europe — particularly in Sweden and Austria. Canadians and Ontarians value their freedom as individuals, and that's evidenced in negotiations. When we're negotiating, I don't speak for the Canadian steel industry

nor does anybody else speak for the Canadian or Ontario steel industry. I speak for Algoma Steel and John Allan speaks for Stelco. Dave doesn't speak for the Ontario Steelworkers Union because Jack Ostrowski says, "I'm going to do what I want to do in Sault Ste. Marie," and Cec Taylor says, "I'm going to do what I want to do in Hamilton." We don't have a disciplined approach and we don't work as collective groups. This is both a strength and a weakness.

But we do have some examples of open and useful communication. I have, on occasion, asked my European counterparts in the steel industry the following question regarding work relationships. I have asked, "If you, as president of the company, were walking through your plant, would one of your people, if he had a concern, come up to you and say, I want to talk to you, I've got a problem?" The answer is "Absolutely not. That would not be permissible in our circumstance." Well, it is permissible in our circumstance, and I think that's a positive part of the quality of working life in this jurisdiction where we operate.

In conclusion I believe we could, and should, benefit from more co-operation, more understanding, more dialogue and more identification of common goals (to the extent they can be identified). The question is, are we going to be pushed into fuller co-operation or are we going to take the lead and develop the relationships that can be called on in crisis, or in normal times, to develop the co-operation that's just as important here as it is in Sweden, Austria or Germany.

Dave Patterson

One comment that I forgot to mention on the question of technology relates to a discussion we had with the IG Metall union concerning the 35-hour work-week. They've introduced so much technology in the German econony that they're producing as much now in thirty-five hours as they were before in forty. The unions are saying, "We're producing so much it's like working a 50-hour week." It is a real problem. In Canada, we have the same problem; productivity is so damn high in a lot of segments of the work force that the people I represent will say, in no uncertain terms, "I'm working myself out of a job."

Alton Cartwright

They have a problem in that they have to run like hell to stay in place. You may see productivity improvements in Europe or in Canada, but not see what's happening in Korea, where productivity improvements are even better. And that's the competition.

Dave Patterson

But Alton, there is a problem with that. The South Koreans, the Brazilians and others in those circumstances have got the upper hand. We don't have the upper hand because we haven't had

modern, new technology introduced in our workplaces to the same extent as they have in Taiwan, South Korea and South America. All that capital expenditure coming into those countries makes their industries very competitive and efficient. I was up in Algoma, where they are staying ahead of the Japanese, but the local union president and other officers openly admitted that it is only a matter of time before the Japanese do them in. Considering what they said they were up against, I think that they were working their butts off to try to keep that place going. You know the day I was in there, the whole damn plant broke down. There wasn't a tube that came off that line the whole time I was there because they were having problems — something broke down at one end and stopped everything else. If we just had half of the breaks that those people get, then we could out-produce them as we've done in the past.

In North America we didn't get the benefits of American investment; the people who benefited from it are now our direct competition. The money that went into the Marshall Plan and to other parts of the world ....

It actually makes you wonder who won the war when you see who has the upper hand in productivity and jobs.

Fred Pomeroy

Well, I'm going to be short, because most of the things I might have talked about have already been raised in one way or another by previous speakers or by our guests this weekend. I would rather concentrate on a few points that we should keep in mind.

One of them is that whatever co-operative efforts there are in place in the three countries we visited, none of them came about as a result of an intellectual exercise. This was mentioned by our guests this weekend. As well, the war in Germany and Austria and strikes in Sweden put the hammer to their heads to get involved in these kinds of endeavours. That raises some questions about the chances for success here. I know that Peter would argue that we have a hammer to our heads, but I don't think there is consensus in this country that we are under the same kind of pressures that existed in Europe as a result of war or the loss of a lot of time in major strikes.

The consultative mechanisms that they have don't necessarily mean that there's a bigger pie or bigger opportunity in a global sense. What it has meant is that the impact of the crisis has been more evenly distributed. To use one of my old expressions, fewer people fall through the cracks in the three countries that we visited than fall through the cracks in North America. Perhaps that is one of the selling points for consultative activities.

The fact that each one of the consultative mechanisms was so different suggests that we can't expect to grab one of those systems and import it to Canada. We are going to have to develop our own mechanism. If we're doing that, there are some lessons

that we can learn from the arrangements that we observed in Europe. The first one is that, contrary to one of the biggest criticisms of consultative mechanisms in this country by the rank-and-file that somehow we're getting involved in a love-in, either with business or a hostile government, you don't have to have a love-in to have a consultative mechanism in place. In fact, in every country we visited, management was as suspicious of the labour movement as they appear to be here, and the labour unions had many of the same concerns about employers and governments. The governments tended to be in one camp or another. They were either a business government or a so-called labour government. The reason the processes were working was not because the parties had decided to have a love-in, but, rather, because they have accepted one another as necessary evils in a larger process, who have to work together to achieve higher objectives.

I believe that there is a philosophy in some management circles in this country, and particularly in the United States, that unions are going to either disappear by attrition or, by some stroke of the wand, become so neutralized that they won't have any impact. I think this is a factor that would impact on the consultative process here.

If we look at how the parties related to one another in Europe, such as in the case of the Swedish employers' strike over the Wage Earner Fund, it is apparent that they could have disputes without killing off all dialogue with the other side. They were mature enough to be able to have a dispute over something of major importance and still keep up the dialogue with the other side. In Sweden, the unions obviously had the upper hand, as far as the Wage Earner Fund was concerned, in the sense that they had their government in place, which, obviously, was going to go ahead with it. But, at the same time, everybody we talked to said there was going to have to be some accommodation. They didn't operate on the basis of the same philosophy as we're seeing in British Columbia, where the philosophy is: "I have the marbles today so I can play the game completely my way." They seemed to be well aware that they have to make a deal with the other parties in the social partnership. There were other examples in other countries to reinforce the same point.

Another point that has been raised is that the parties there are better equipped for consultative mechanisms, and I think this is particularly true of the unions. From what I saw, union dues there are very similar to what we pay, but more dollars out of that are available for research and educational activities. I think there are a couple of reasons for that. First, they don't need the same kind of strike funds we have because collective bargaining takes place in a different environment. For example, they don't negotiate table by table, bargaining unit by bargaining unit, over things like vacations and medical coverage. Everybody here knows that has an impact on the kind of scraps we get into at the

negotiating table. They also don't have the same organizing problems that we have. It's a favourite hobby-horse of mine that our union gets into a lot of recognition strikes, which, some people argue, are not recognition strikes because they don't come until we're having trouble getting the first agreement. Employers say, "We recognize you, we just won't live with you." They've got government-financed organizations and funds that take some of the rhetoric out of issues like health and safety and job design and allow the parties to address the real concerns.

It is important to make the point again that employers are better organized to speak with a common voice in all of the countries that we visited. It is very difficult to find out what employers in this country think because there are many different organizations. Some of the employers we deal with are quite influential in some of those organizations, yet, when we talk to them privately, they say they don't share the views that are being put forward by those national organizations. Probably the same thing happens with the Canadian Labour Congress.

The third point I think we should consider is that consultation does not have to take place exclusively in formalized structures. We saw examples of very formalized processes, such as in Austria where, before certain types of legislation can be brought in, they have to go to the different Chambers for comment, and in Germany, the co-determination process. But informal consultation is also very important. For example, in Sweden the government couldn't possibly entertain making a major move without talking to all the social partners, even when they may be completely opposed. A lot of dialogue takes place informally, which, I think, is as important as what goes on in some of the structures.

A fourth point is that the political environment in Europe differs from that here. For most of the period when they were developing the consultative mechanisms there were Social-Democrat governments in place, which, I think, tended to make the unions more receptive to the consultative processes. The unions could afford the luxury of getting involved in consultative processes. Perhaps that also provided an impetus for the employers who may have thought it was better to sit down and have a rational discussion with the government and unions than to run the risk of the process running completely amok because the government, in theory, at least, was heavily influenced by labour unions.

The fifth thing we should remember is that the parties to the consultative process haven't changed their basic philosophies or stripes. I don't think we'd find any employers in Canada who could match some of those right-wing characters we met in Vienna. And, on the other side, if you look at the unions in Sweden, they are, after all these years, still going for it. They recognize that the Wage Earner Fund is a fundamental shift in the ball game, and they're going for it; they haven't given up their

long-held beliefs. Similarly, in Germany, although the parties were in fundamental disagreement over the issue of the 35-hour work-week, they still continued to work through the consultative process.

Those are just some basic points that I think that we ought to keep in mind. It's not an all-inclusive or exhaustive list, but I know that Bill is following me and he'll pick up on the points that I've missed.

Bill Macdonald

I decided that I would not look back at my notes of the European trip last fall or attempt to relate any particular observation to any particular European approach. Instead, I've tried to work out what I thought about the issue of "Consultation Processes" for Canada and Ontario, with the vantage not only of a year's distance from the trip, but also of developments that have been taking place here. In effect, I've sought to develop a mental framework within which I could think usefully about the consultative processes on labour market issues in the Canadian environment.

One conclusion of everybody on the trip was that nothing we saw in Europe was directly transportable here. The other universal conclusion, I think, was that our system was facing real challenges externally and internally and was not working so well that we could simply be satisfied with the *status quo*. Some may have felt more or less strongly than others about how dysfunctional our labour market system is or has become, and, thus, more or less strongly about how radical the changes in attitudes and approaches need to be on the part of one or more of the parties if we are to achieve individual, group and provincial or national goals in the years ahead.

I think there was also general agreement that consensus, however desirable, was not always going to be achievable and that there were two kinds of limits on the price that would be paid for consensus. First, consensus is not a substitute for the right policies in any given situation, although it may, in some cases, reduce the damage of wrong policies. And, second, different labour market players may have interests or responsibilities that, at any given moment, are inconsistent with consensus.

I believe there is some divergence on what the criteria of function or dysfunction in our labour market system are. Related to that, views differ about how the nature and degree of conflict between the so-called social partners reflects dysfunction or may be a sign of positive function and thus of health in a system, one of whose primary attributes must be that of essential adaptability as well as essential stability.

My sense of the focus of our trip and of today's retrospective is that we are not trying to remake the political or economic world of Canada, but only to look at labour markets from three

principal angles, which are the chosen topics for today: the central economic issues which now bear on labour markets and can have a decisive impact on how they operate; the collective bargaining dimension of labour markets; and consultation processes between the labour market players. Also, we are not viewing these topics from an Olympian standpoint but from the three different perspectives of government, business and unions.

I also notice that the words "consensus" and "partnership" or "social partnership" were not used as part of the description of the three sessions. Indeed, even the words "working together" were not used. As I have reflected on my own comments, I've concluded that the focus is right and that the absence of any catchall description for the actual or desirable interaction of the three main institutional labour market players is also sound. Indeed, my principal conclusion is that, in institutional systems terms, the best way of looking at the focus of our European trip and our meetings here is to see governments, employers (both public and private sector) and unions as co-managers of our labour market system. This, then, naturally leads us to look at the consultation process involving two or more of the players as an element in the co-management of the system by three principal players, each of whom have very different roles in the system and in the larger society. Further, in the co-management of the system, each of the players is ultimately held accountable, both to the public at large in terms of broader societal impacts and to their respective immediate constituencies, who look to each of them for different things. Moreover, these constituencies are not hermetically sealed off from each other, but overlap, since the same affected person may be a constituent of all three players.

I believe that looking at Canadian labour markets in system terms is what we have to do, rather than seeking to focus too much on the particular mechanisms and attitudes that are used by others to manage significantly different labour market systems inside very different societies and economies. In this connection, I think Tolstoy's observation of families is apt — that all happy families are different and that all unhappy families are the same. In effect, as a Canadian group, coming from what is still, by all the standards of history and of comparisons today, a reasonably happy society, we need, in the end, to look to our own adaptive strengths, our own history and our own ways and traditions for guidance on where we go from here.

One has to be rather careful about generalizations concerning countries one does not know well. But I have a sense that European countries, at least in the past, have tended to work more from the base of established institutions with accepted legitimacies and primary loyalties than is the case in North America. My perception is that we have more emphasis on performance and less on status or guaranteed loyalty. Paradoxically, this may lead us to attack the legitimate status of one another when it

would be more appropriate to take issue with particular actions with which we disagree.

If all this is so, we are not talking about power-sharing between two or more of the parties. That is a corporatist approach, which may have specific validity on particular matters, but I doubt that it has any potential for general applicability or acceptability in Canada or Ontario. Certainly, governments, unions and businesses have a good deal of power at any moment. But it is not a power that is monopolistic or self-preserving, and the examples of its erosion through non-performance are legion. I do not think the public in general, or union members, shareholders, voters or consumers, would respond positively to a cartel arrangement between the three labour market players that divided up power regardless of governmental, worker, shareholder, or consumer impacts.

Rather than a matter of power-sharing I think it is a question of role performance within a system. In therapy based on the family as a system, a family member with a problem, the so-called identified patient, is not dealt with alone, but the family is dealt with as a system. And one of the things that is frequently found is that the family, as a system, is stuck in its ability to adapt to the changing internal needs of its members and to the changing external demands on its members. Non-adaptation, or high-cost adaptation in which one member pays a disproportionate price in terms of mental or physical health and stability or anti-social behaviour, usually means that it is the family system that is dysfunctional. This, in turn, means that the most effective solution is more functional behaviour on the part of every family member, not just by the so-called identified patient. What is also important and relevant to us is that the answers do not come from outside the family system. The family almost always possesses the strength and capability to solve its own problems. The requirement is family member confidence in the release and direction of that strength and capability so that the functioning of both the system and its individual members is enhanced.

Two things are worth noting for their relevance to our subject. First people are afraid to change, and they are usually heavily defended against making changes that would improve their own situation. It is easier to blame another family member. But a second feature is the confusion of roles. In a family, it is important that the parents be parents, that children be children, that husbands and wives be husbands and wives. Moreover, each member owns his own problems. In families that function well, members know and accept their own roles and know and accept the roles of other family members. In our terms this means that, within the labour-market system, unions are there to represent the needs and interests of their members as the latter see them, businessmen are there to manage their enterprises so as to produce price- and quality-competitive goods and services at a

profit, and governments arre there to advance and protect the public interest. So it is for unions, not governments or businesses, to solve union problems, and so on for each of the others.

In this context, what about consultation processes? Well, I think they must be based on the concept of co-management of the labour market system—that there are three separate roles, and that the performance of these roles involves interaction with the other players in essentially two types of matters. There are those matters where there are either specific or broad common interests that can be advanced co-operatively to mutual advantage. There are other matters where particular interests diverge, although broader interests, like the viability of an enterprise or an industry or an economy, remain. Of course, there are mixtures of the two.

Consultation processes, by providing an agreed means of communication, can thus serve two main purposes: to develop bases of common action on matters that are mutually agreed to be common, and to improve advance understanding of impacts of each member's behaviour on the other members, in matters where interests diverge, with a view to minimizing adverse effects on the others in a manner consistent with their own responsibilities and interests.

In terms of our own efforts, the Quality of Working Life Centre fits in well with the first category. The expanded effort we are now engaged in is, as I see it, directed at identifying areas for study in both categories, based on common agenda setting. I am not prepared to predict where this may lead in Ontario or Canada. Much depends on how well the members perform their own separate roles. The performance prospects for governments, businesses and unions in Canada go well beyond the scope of my remarks on this occasion. But they are central, and they depend primarily on each of the players in terms of how well they are perceived to meet the needs of their own respective consumer markets.

In the longer term, each player will do well only in proportion to his ability to advance the real, longer-term interest of his own constituency in a manner that is also consistent with the real public interest. There is no guarantee how any will do, but how well they will do, or feel they are doing, will affect how they will perform in consultative processes.

One of the outstanding psychoanalysts of this century is Erik Erikson. He has moved beyond the study of the tasks of childhood and adolescence, which have traditionally dominated psychoanalysis, to those of adulthood. He made two observations that I think are relevant as we look for the appropriate areas, mechanisms and purposes of consultation among the labour market players. He observed that there are two kinds of leadership, exclusive and inclusive. There is no question that exclusive leadership is far and away the norm because it is easier to

appeal exclusively to people in one group by being against people who are outside the group than it is to appeal to people who are outside the group by pointing out the importance of accommodation to other people. It is the inclusive kind of leadership that is rare, but it is the kind of adult leadership that is necessary to make consultation processes, of whatever kind and in whatever areas and for whatever purposes, work.

Erikson has gone on to develop the concept of adulthood in a way that I think is relevant to us, both in terms of practical necessity and as a measure of idealism of purpose. To be adult is to assert oneself in ways that enhance the ability of others to assert themselves. This is a high goal, a strenuous goal and a risky goal. It does not ask any player, in our case, government, union or business, to stop asserting itself in terms of its respective role. It does ask, however, that the effort be put into finding ways that enhance, not limit, the others affected by that assertion to do the same for themselves. I think that that is what we have been talking about in the quality of working life.

I think it is what we have started to talk about on the broader labour market issues. I do not think that we are, or should be, talking about sharing power or about consensus or about social partnership. And I certainly don't think anyone is talking about giving up power or roles to somebody else. Rather, I think we are looking for ways to advance several separate roles in ways that take the needs and objectives of others into more appropriate account. Obviously, communication is central. As George Bernard Shaw once said, "Don't do unto others as you would have them do unto you—their tastes may be different." Well, if not their tastes, at least their needs, their roles and their responsibilities.

My own conviction is that we are here because we all believe in our hearts that there has been, and remains, something dysfunctional about our labour market performance—and that this is, indeed, of central importance, not only to ourselves and our respective constituents, but also to Ontario and Canada. I think we also know that there is a powerful external threat to our standard of living and the quality of our community life. Most of us know that we each have to change and take risks. Some of us are already doing so. I think we would all admit that we are afraid to change because we are not sure if we can do it and we are not sure how the other guy will react if we do. But I also think we all know that if we do not change voluntarily and positively, we will ultimately have to change, after much unnecessary pain, involuntarily and negatively.

So I can sum up my European retrospective this way. For me, the trip to Europe forced me, once again, to confront Canada. I believe this was everyone's experience. And I believe we still feel that QWL is part of a broader consultation process that can lead to real and useful changes. I hope we are starting to feel that this group can, itself, be a consultative mechanism that

identifies and catalyzes more particular consultative mechanisms and processes and contributes, however indirectly, to a more adult approach to the labour market in Ontario and Canada by all the players. If we all go about it the right way, we can enhance everyone and diminish no one in the process.

Tim Armstrong

Good stuff, Bill. You said you weren't going to speak about Europe and yet what you have said very much echoes what was said by the other speakers over the past twenty-four hours.

Bill Macdonald

Yes, I found it very compatible as I listened to what people were saying, knowing what I was going to say.

Tim Armstrong

You must have been reading the Cuomo diaries with that family analogy!

Alton has drawn the assignment of summarizing our comments, and I will now let him begin that task for us.

Alton Cartwright

Here's my summary of what has been said this afternoon:

Tim Armstrong stated that the objective of this afternoon was to share our views on the European experience. He advised us not to pull any punches on anything controversial—there was no danger of that!

Cliff Pilkey reported to us that there are no pat answers to the economic problems to be found in Europe, but he felt that an attitudinal change might be brought about in Canada to help us achieve a determination to make things work. He described the European approach as basically pragmatic, and he suggested that he would prefer a more ideological approach in Canada. He concluded that the questions remain basically unanswered and that the transfer of the European mechanisms would be inappropriate.

Dave Patterson gave us a detailed account of the European trip. He was not impressed with Austria, and he suggested that perhaps the labour movement there had sold out. He complimented the Swedes and Germans on their open and frank approach, and felt that we could learn from them. He explained the Swedish Wage Earner Fund, which I've never understood before. He discussed the structure of labour in Sweden and, although he was not as impressed with the German labour movement, he felt that, in both countries, the labour movement was more sophisticated than in Canada. He concluded that the Canadian labour movement is too fragmented and doesn't have enough political clout. He thinks that collective bargaining works better in Sweden, Germany and even, perhaps, Austria

than it does in Canada and that we can learn from those countries. He concluded with an expression of concern for the continuance of this group. I don't think he needs to worry about that; good things do last.

Peter Nixon made five points. First, he was impressed with the Swedish consensus view of the need to be world-competitive. Second, he saw a discipline in Austria aimed at competitive survival. Third, he felt that Germany does not have consensus despite having a system of co-determination. Fourth, he felt that, in Ontario, we know what is needed, yet we have no consensus on how to reach it and no means to achieve it. Finally, he observed that perhaps we are too individualistic, but that we should, and could, learn from consultation.

Fred Pomeroy gave a string of thoughtful observations. He pointed out that co-operative efforts in Europe did not come about as the result of a purely intellectual exercise and that while consultation in Europe has not resulted in overall economic improvements, it has probably smoothed out the bumps. He was impressed by the sharp differences between the social partners. He said that there was no single approach to solving economic problems and certainly none that's right for Canada. He made the point that a love-in is not needed to achieve consensus, and noted that the perceived potential for union demise in North America may be a major impediment to improvements in co-operation here. He pointed out that the unions here spend a lot on disputes; whereas the union funds in Europe are spent more productively.

He also noted that employers here are not well organized for consultation, either. He stressed that informal dialogue is important and that we shouldn't expect the parties to change their stripes.

Bill Macdonald pointed out that while European solutions are not transferable, we do need change. He added that perhaps consensus is not always achievable or desirable. Next, he elaborated on his concept of the Canadian system being like a family that can solve its own problems, which I thought was extremely well presented. He concluded that we are here because there is something dysfunctional about our labour market practices. That's a truism. The voluntary solution would be much better than the alternative, and this group, in Bill's opinion, has such a clear mission.

Tim Armstrong

I mentioned earlier that I thought that in this evolving process we are in, it would be unrealistic of us to expect, at the conclusion of these very impressive presentations, to pluck something magical out of the air and run with it. I think everybody realized that we are not in that mode. I think that what we have done in the last twenty-four hours is profoundly important grist for the mill, which all of us will wish to reflect upon.

We will be producing the edited transcript of the proceedings, which will give us something to talk about when we appear before the Policies and Priorities Board. At that time, we will not only be making a case for continuing the Quality of Working Life Centre and its activities, but also sounding some of the themes that have come out of your presentations today. I hope to get confirmation of the mandate that the Premier has given us.

Now I will throw the floor open for any comments about what should follow in terms of process for the Study Group.

Charles Hantho

I think that Bill presented a framework around which the consultative process can move forward. To what extent do people agree with the concept of individual partners within the system working together as in a family to solve their problems? I wonder how much support there is for that concept, or if people are looking for a more revolutionary change in the relationship.

Tim Armstrong

Does anyone want to comment on that?

Bill Macdonald

I want to add to Alton's summary and say that I think everyone felt that the European experience reinforced the value of this group and underlined the importance of its continuance. It really supports Chuck's suggestion that if the group is worthwhile, we should develop a framework for our ongoing activity.

Dave Patterson

I want to respond to some of Chuck's comments. The CLC has had a very poisonous relationship, nationally, with the Liberal Party. There has been no dialogue, but, rather, open warfare and a lot of innuendos back and forth. Our relationship has deteriorated to the point where we are just headed nowhere. If you've been watching the papers you'll have seen that McDermott's comments have been very conciliatory towards Mulroney. There may be an opening of dialogue between the federal government and the central labour body. At the same time, I want to say that there are still bureaucrats in Ottawa who want to play the game. Government bureaucrats don't know their way around labour. We still get private invitations to attend little gatherings where we'll be tucked off at the Niagara Institute or some place else, before they ever go to the central labour body. And that's why our relationship with the Liberals deteriorated to the point where there is open hatred. I think that people do want to change. Maybe I misinterpreted what you said in terms of the options for change.

Bill Macdonald

I suggested that was why we are here; because we recognize that it wasn't working.

Dave Patterson

I think that leadership in the public and private sectors is based not on being twenty feet ahead, but about one step or one-half step ahead. Maybe we're just forerunners of things about to happen. Perhaps I'm taking a futuristic approach, but I think the economic crisis is so bad that, if we don't make some major changes in our attitudes, there'll be a hell of a lot fewer of us sitting around tables to talk about where we are headed. The labour movement would not object to signing a social contract. I think that management is making some very terrible mistakes in this economic crisis. I have never listened to so many workers who are totally disgrunted because they feel that they have had the shit kicked out of them for the last two years. It worries me that when the crisis turns around we're going to go back into another cycle with high settlement patterns and high inflation and find ourselves right back on the horns of the same dilemma. I look at it from a cyclical point of view; I think that's what's happened in the latter part of the sixties and seventies, first part of the eighties and since 1982.

My outlook on life has changed one hell of a lot since 1981. Thank God it has, because I would not be taking the same position that I am right now. We have to change. I'm not going to ask anybody to bleed any more than they have for the last few years.

Fred Pomeroy

I don't think Bill meant to wave the red flag with his theme about the family, but I think we should be careful about how we articulate what we're doing.

Bill Macdonald

I was using that concept to focus on the system rather than on individual members

Fred Pomeroy

We have to be careful about how we articulate these things because there are a lot of people who are very suspicious of this whole process and spend a lot of energy campaigning against it. The concept of a defined role for each player is not one that is widely accepted in the labour movement. I think management sees its role as fixed, for example, in managing enterprises. But in the labour movement there is an ongoing and very vocal debate about what our role is. Is it handling grievances and negotiating contracts? Or is it getting involved in a lot of other issues that you may perceive as being part of running the business, but that we see as a fundamental part of our role?

Bill Macdonald

Your role is to advance the interests of the employees in the labour market. If you have a political role, that's another issue. How you choose to do that is your responsibility. I wouldn't see any possibility or desirability in trying to pre-define, or delimit, that role. You're going to carry out that role as you see fit in light of various realities, including how your members feel.

Tim Armstrong

Role performance and co-management are useful conceptual reference points, but in a sense they beg the question of what that role is and how one pursues the notion of co-management in a practical, tangible way.

Bill Macdonald

My particular perspective is quite simple. I think that labour unions are going to survive because they deliver services their members want. The question of what their members want is one that they have to answer every day of their lives, just like businesses and elected governments have to.

Fred Pomeroy

How do we go forward from here? The manner in which the process is articulated can have a lot to do with whether or not certain players are involved. I'm sure you would have problems in the business community if this came out in a way that left the impression that you were going to turn investment policy over to the other two players in the game. We would have a problem with a game plan that suggested that we have a niche in the system that we are going to live in, because we don't.

Vic Pathe

I guess you are saying that terms like co-management raise a lot of hackles in the labour movement.

Alan Wolfson

A co-managed system would imply role performances very different from the traditional roles of the parties.

Tim Armstrong

I am not sure that we can progress much further this afternoon. I think that we all will want to reflect on these very thoughtful presentations, following which, we should get together again to continue the discussion. I appreciate that there may be some frustation with the constant repetition on of themes without any manifest progress.

Peter Nixon

I think that we could come together again more constructively if some individual or small group were to sit down and attempt to

set out what they think might logically be the content of our report and recommendations. Rather than talk within a broad framework, why don't we try to structure something that each of us can reflect on, and then determine whether that can be sifted down and translated into something that would be an agreed plan of action?

Fred Pomeroy

It seems to me that one of the criticisms of this whole consultative process is that we're only interested in doing this during bad times. Another one is the argument about the class struggle; the impression being that you have to abandon your goals to have these kinds of consultations. I think we ought to look at those points someday. If we say that we want to do this and have a meaningful impact on things, we have to address the real issues that are out there.

Bill Macdonald

Consultation might bring the realization that for five years you can't. In that case labour will behave according to that situation, as will management and government. I don't think one can presume to predict where common action can or cannot occur, or even to what extent people will be able to constrain themselves in order to damage themselves less.

Fred Pomeroy

We almost need to articulate what we're *not* trying to do here. For example, I'm not here to try to stop the class struggle, if there is one going on. But I don't see that as necessarily inconsistent with the process of having consultations about a game plan for the present time. Other items like that are bogey men that are thrown up to discredit the whole process by association when, in fact, perhaps, they can be pieced off and handled individually.

Charles Hantho

It's a common procedure to specify what the association is and what it is not, and actually have those two lists.

Nick Ignatieff

John Dunlop has offered us a precedent of sorts; a short list of principles that his labour and management members could subscribe to. That is the kind of thing we could develop.

Alton Cartwright

Tim, as I see it, what has happened here is that we have had placed in the minds of leaders of Ontario some thoughts that may be a little bit disturbing and may cause us to think a little bit (most of us don't like that process too much), but I think that these thoughts will continue to lodge in these brains and, occasionally, will spew out again whether you organize it or not. We may even

find my class getting on top of Fred's class—we have been working our way up for a long time, Fred!

I think you have done something here that is very difficult to get down on paper. Bill did a magnificent job of distilling some of the ideas, and our discussion has got a lot of it out. I think this couldn't have been done without a lot of leadership and excellent staff work. The trip to Europe was extremely well planned, organized and run, and none of the ideas gleaned there were lost. Then to have it followed up one year later with the session we have had in the past twenty-four hours was nothing short of magnificent. Bringing those fellows from Sweden and Germany and bringing Gotbaum from New York to add an American perspective leading up to this final discussion has been really something. I want you to know that I speak on behalf of the whole group when I say that I appreciate what you and your staff have done.

Tim Armstrong

That is very kind of you, Alton. There has, indeed, been some hard work on the part of the staff, and I appreciate it, too. Just pursuing Peter's suggestion—and still glowing what that compliment—why don't we try to pull something together and, in the process, meet with one or two of you or talk to you on the telephone as we develop a draft and get that out over the next four weeks or so. The alternative, Peter, would be to form a subcommittee to work on it.

Bill Macdonald

Which is most likely to produce it, Tim?

Peter Nixon

I think the idea of the staff coming up with the draft is good, but I think that also having a sounding group of perhaps Alton, Fred and Nick would add to the report. It is my understanding that we are obliged to report to government in at least some semi-formal or structured manner. In order to do that, we have to get something down that represents an understanding of what we are about.

Fred Pomeroy

And of what we are not about.

Tim Armstrong

I think we are agreed, then. Thank you very much.

Appendix I

The Ontario Labour Management Study Group – History and Mandate

In June 1977 the Minister of Labour established a union-management Quality of Working Life Advisory Committee. This joint Committee was chaired by the Deputy Minister of Labour, Tim Armstrong. Original members were Ralph Barford of General Steelwares Ltd., Stewart Cooke of the United Steelworkers, William Dimma of The Toronto Star, Robert Hurlbut of General Foods Ltd., William Macdonald of McMillan, Binch, Barristers & Solicitors, Clifford Pilkey of the Ontario Federation of Labour and Robert White of the United Auto Workers. The terms of reference and mandate of the Advisory Committee were purposefully broad: to examine, from the perspectives of both management and labour, the quality of working life concept and its practical application and, if the committee so chose, to make recommendations to the Government with respect to the establishment of some form of institution to promote quality of working life initiatives in Ontario.

A number of meetings were held with labour and management representatives of organizations that were pioneering in the field of organizational change. The Committee also travelled to Great Britain, the Netherlands and France and heard as well from representatives of the Federal Republic of Germany, Sweden and the Organization for Economic Co-operation and Development. Having assessed its experience, the Advisory Committee, in January 1978, unanimously submitted the following recommendation to the Minister of Labour:

> *From our investigations, we have concluded that a true quality of working life project must:*
>
> a) *provide for genuine worker participation in the planning or re-structuring of the work process, with a view to accommodating and reconciling human needs on the one hand and the technical requirements of the particular enterprises, on the other, so that the worker is able to achieve more variety, scope and autonomy in the performance of his duties; and*
>
> b) *entail a concomitant change in management attitudes and practices, away from an authoritarian mode towards a more facilitative, consultative and advisory role.*

The Committee also advised:

> *... we believe it is in the interests of management and labour alike that a substantial program be set*

up to promote and encourage quality of working life experiments on a wide front. Such a program will require time, patience, commitment and, not least important, complement and funds.

The recommendations of the QWL Advisory Committee were approved by the Cabinet of Ontario on March 20, 1978, and became the mandate under which the Ontario Quality of Working Life Centre was formally established. The original group became the Centre's formal Advisory Committee.

Their first task was to select an executive director for the Centre, a process that led to the appointment of Dr. Hans van Beinum, a leading QWL practitioner of international stature.

In its original recommendation to the Government, the Committee proposed that it should meet at least quarterly to establish, in consultation with the Centre's executive director, the programs and policies of the Centre, to assess the effectiveness and pace of their implementation, and, generally to offer guidance and direction. In fact, the Committee met, with rare exceptions, every two months to receive activity reports from the Centre and to discuss future directions. Meetings dealt with matters of substance ranging from the selection of field projects, the evaluation of progress reports, the review of publication policies, research and public relations initiatives, and the planning of special events.

Since 1978, the activities of the Centre have been directed into three complementary channels: field project consulting, education and information.

In its first six years the Quality of Working Life Centre has provided ongoing support to twenty-six joint union-management projects, including those at Canadian General Electric, Ford Canada, Willett Foods, Kellogg Salada, Polysar, Continental Can, the Ministry of Consumer and Commercial Relations, and Eldorado Resources. Unions involved have included the United Auto Workers, the United Steelworkers, the Energy and Chemical Workers, the International Association of Machinists, and the Ontario Public Service Employees' Union. The projects have involved the design of new organizations and the redesign of existing operations. Within these projects, the Centre has provided information and advice, facilitated internal discussion and decision-making, and helped to design and deliver a wide range of tailor-made educational events. The scope of many projects has included the design of the total organization.

In the last few years the Centre has added a periodic Consulting Service to assist the increasing number of organizations that are willing and able to undertake organizational change substantially on their own.

The Centre's Education Program has been designed to raise general awareness of the quality of working life and to develop the understanding and skills needed to engage in such organizational change. An extensive series of one-day general

orientation workshops have been sponsored in co-operation with community colleges throughout Ontario. For organizations seriously interested in starting a QWL change process, the Centre has designed two-and-a-half-day residential seminars focusing on the "What and How" of QWL. Since 1981 six of these workshops have been held with approximately thirty participants in each. Most organizations have been represented at these seminars by pairs or larger groups from both labour and management.

The Centre's Information Program has published a series of occasional and working papers and has also issued a periodical addressing issues in the quality of working life field. The Centre has also developed an Information Resource Centre serving individuals and organizations on a request basis.

Over the past several years the QWL approach to the organization of work has made a significant contribution to the development of organization effectiveness, more mature union-management relations, and worker satisfaction in many organizations in Ontario. The Ontario QWL Centre, under the guidance of the Committee, has demonstrated leadership in facilitating this approach.

In May 1979 the Committee organized a large forum on the Quality of Working Life for senior labour and management representatives, and, in October 1980, it held a similar forum. In June 1981 the Committee hosted a two-day project evaluation session at which representatives of four Centre-assisted projects met and shared their experiences. In February 1983 it met in Toronto with the Norwegian Royal Commission on Industrial Democracy.

During the last few years the Committee has, partly in response to the severe economic challenge of the recession of 1981-82, become engaged in an examination of a wider range of issues. Committee discussions have focussed on the relationship between business, labour and government and the prospects for closer consultation to promote social and economic objectives, both in the province and in the country as a whole. It met, for example, with John Dunlop, the former Secretary of Labour under President Ford, to discuss consultative mechanisms in the United States. It met with Jacques Singer, a Canadian economist, who presented his analysis of the origins of the 1981-82 recession and its implications for labour and capital markets and economic policy. Vic Pathe, the Assistant Deputy Minister of Industrial Relations, gave a presentation on the state of collective bargaining in Ontario, its strengths and weaknesses, and made some suggestions about future trends. Paul Weiler of Harvard Law School added some American perspectives to the presentation. George MacDonell, the Deputy Minister of the Ontario Ministry of Industry and Trade, gave a presentation on the subject of competitiveness, productivity, and associated international trade issues, and commentary was provided by John Grant, the Chief Economist and Vice-President of Wood Gundy.

In the fall of 1983, members of the Advisory Committee undertook a two week study tour of Sweden, the Federal Republic of Germany and Austria. The purpose of the tour was two-fold: first, to examine the consultative arrangements through which labour, management and government in those countries work together to identify, analyse, and respond to economic and social problems; and second, to examine policies for the promotion of economic recovery in those jurisdictions. In the course of the trip, the participants met with twenty-five groups and organizations and engaged in both formal meetings and informal discussions with representatives from labour and employer organizations and government officials.

In January 1984 the Premier gave his active encouragement of the Committee's expanded role. In a letter to the Committee, the Premier stated:

> *I... enthusiastically support your initiative in moving to address a broader range of issues. While Ontario's jurisdiction under our federal system is subject to some constitutional limitations, there are many aspects of the labour market over which we have virtually full control including, of course, collective bargaining. It is important, therefore, that there be a forum here in Ontario where informal discussions can take place among the representatives of labour, management and government about both substantive and process questions of concern to all of us.*

Later that spring the Committee adopted the following statement to describe its composition, function and objectives:

> *A group of Ontario labour and business leaders, who, with the co-ordination of the Ontario Ministry of Labour, jointly identify areas for discussion and study, with the aim of developing or responding to recommendations that could address perceived private and public sector needs to the benefit of all parties.*

To reflect its expanded mandate, including stewardship of the QWL Centre, the Committee also agreed to formally change its name from the Ontario Quality of Working Life Advisory Committee to the Ontario Labour Management Study Group.

One year after the European study tour, in October 1984, a meeting of the participants was held to provide an up-date on developments in the European countries visited and to draw out any conclusions from the examination of European consultative arrangements. The group was joined at this meeting by four distinguished guest speakers: Dr. Bernhard Molitor, Assistant Secretary of the Ministry of Economics, Federal Republic of Germany; Mr. Michael Sohlman, Deputy Under-Secretary of State

for Economic Affairs, Sweden; Dr. John McCallum, Chairman, Department of Economics, University of Quebec; and Mr. Joshua Gotbaum of the investment firm of Lazard Freres and Co. in New York. The proceedings of the meeting are recorded in this document.

Appendix II

List of Participants at the European Retrospective Conference

Mr. Roy Aitken	Executive Vice-President INCO Ltd.
Mr. Tim Armstrong, Q.C.	Deputy Minister Ontario Ministry of Labour
Mr. Peter Berend	External Jurisdictions Liaison Communications Branch Ontario Ministry of Labour
Mr. Alton Cartwright	Chairman of the Board and Chief Executive Officer Canadian General Electric Co. Ltd.
Mr. Gordon N. Fisher	President Southam Inc.
Mr. Joshua Gotbaum	Lazard Freres & Co.
Mr. Charles H. Hantho	President C-I-L Inc.
Mr. Donald Holder	Vice-President, Region III Canadian Paperworkers Union
Mr. Nicholas Ignatieff	Special Advisor to the Deputy Minister Ontario Ministry of Labour
Mr. Bernd K. Koken	President and Chief Executive Officer Abitibi-Price Inc.
Mr. William Macdonald, Q.C.	McMillan, Binch Barristers & Solicitors
Mr. R. Terrence Mactaggart	President Niagara Institute
Mr. Walter Majesky	President Labour Council of Metropolitan Toronto
Dr. John McCallum	Chairman Department of Economics University of Quebec
Mrs. Ethel McLellan	Chairman Ontario Civil Service Commission

Dr. Bernhard Molitor	Assistant Secretary Ministry of Economics Federal Republic of Germany
Mr. Peter Nixon	President and Chief Operating Officer The Algoma Steel Corp., Ltd.
Mr. Sean O'Flynn	President Ontario Public Service Employees' Union
Mr. L. Vic Pathe	Assistant Deputy Minister Industrial Relations Division Ontario Ministry of Labour
Mr. Dave Patterson	Director, District 6 United Steelworkers of America
Mr. Clifford Pilkey	President Ontario Federation of Labour
Mr. Fred Pomeroy	President Communications Workers of Canada
The Honourable Russell Ramsay	Minister of Labour Province of Ontario
Mr. Brock Smith	Deputy Minister Ontario Ministry of Treasury and Economics
Mr. Per Michael Sohlman	Deputy Under-Secretary of State for Economic Affairs Sweden
Dr. Hans van Beinum	Executive Director Ontario Quality of Working Life Centre
Dr. Alan D. Wolfson	Assistant Deputy Minister Labour Policy and Programs Division Ontario Ministry of Labour

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